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# FINANCIAL TIMES

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Monday September 10 1973 \*\* 6p

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## NEWS SUMMARY

### BOMBS

## Police raids in two cities

Police investigating bomb explosions in London and Manchester raided houses in both cities yesterday and warned that the public should keep on guard against more incidents in any part of the country.

Commander Robert Huntley, of the Metropolitan Police bomb squad, said his men found pieces of clockwork and metal after a bomb in a carrier bag went off at London's Victoria Station on Saturday afternoon, slightly injuring five people. This bomb appeared to be of a type used by the IRA.

In Manchester, three incendiary devices went off in city centre doorways, scorching shop fronts but not setting fire to them. A fourth bomb was found in time.

No-one was arrested in yesterday's raids, police said.

### Joseph backs 'wap surgeon

Mr Keith Joseph, Minister for Social Services, backed Mr. Magdi Yacoub, the surgeon who performed Britain's first heart transplant for four years, but repeated his belief that enthusiasm should be restrained until "immunological problems" have been solved.

The 56-year-old office manager who received the heart of a 15-year-old boy—victim of a road accident—died only hours after yesterday's operation at Harefield hospital, Uxbridge.

### Fast boy's dy found

A burned and mutilated body of a 10-year-old boy was found yesterday in Belfast's River Liffey. The body was identified last night as that of Brian McDermott, 11, from his home for a Police do not believe he had a sectarian basis.

In his refusal to let the search his car at an h checkpoint was "very hospital after being shot struggle with a soldier.

### considers 'S. links

Ministers from the nine countries gathered in Copenhagen yesterday for a meeting that led to an historic breakthrough in European political co-operation and in the Nine's links with the U.S.

### troops attack Chile factory

Relations between the Chilean armed forces and the Government were put under a new strain over the week-end after airport troops machine-gunned a nylon factory, claiming that its workers were "armed, organised and trained for paramilitary operations."

### Injured Anne to fly home

Princess Anne flies home today with a suspected broken collarbone. She left heavily from her mount in Sandringham after the first phase of the European Equestrian championships in Kiev, Alexander Yevdokimov of the Soviet Union won the individual title and West Germany took the team event. Page 3

### Champ again

Britain's Jackie Stewart finished fourth in the Italian Grand Prix for Formula One cars and won the world championship for the third time. First in the race was Ronnie Peterson of Sweden. Other Sport: Cricket and yachting. Page 3; Rugby, Page 39.

### Briefly...

Winner of £25,000 Premium Bond prize (No. 9LB 497610) lives in Co. Durham.  
Cholera deaths in Italy now total 24.  
Author J. B. Priestley, has been made an Honorary Freeman of Bradford, his home town.  
Police arrested 25 youths during Saturday's Ipswich Town-Manchester United soccer match.

### BUSINESS

## Chrysler unions attacked by EPTU

● **UNION LEADERS** Hugh Scanlon of the AEUW and Jack Jones of the TGWU have been criticised by a leading member of the electricians' union for allowing their members to work with "scab" labour at Chrysler U.K. car plants at Coventry and Lincoln. EPTU members there are on strike, but the company has called in supervisors from other plants to maintain machinery. Back Page

● **REJECTING** suggestions that the Price Commission was a rubber stamp body, Sir Geoffrey Howe, Consumer Minister, said it had allowed in full less than one third of all applications. The remainder had been rejected, withdrawn or reduced. Page 37

● **MR. MICHAEL HESELTINE**, U.K. Aerospace Minister, is to attend the first international air show to be held in Sao Paulo, Brazil, which opens on Friday. More than 30 British companies are exhibiting. Page 4

● **ITALY'S** industrial production in July increased by 15 per cent, on last year, raising the total increase for the first seven months of 1973 to 61 per cent. Labour disputes disrupted production in the first quarter. Page 5

● **U.S. plan for cheap air fares**  
● **CHEAP** transatlantic charter rates of as little as \$53 return are proposed in a plan put forward by the U.S. Civil Aeronautics Board. Page 6

● **LENDING RATES** charged by the Irish Associated Clearing Banks are to go up by 3 per cent, from the close of business today. The new prime rate for residential borrowers will be 11 per cent. Page 5

● **U.K. WOOL** textile exports were £21.1m. in July, an increase of 79 per cent on July 1972. Page 39

● **ARROWCROFT** Investments has been granted outline planning permission for a £2m. redevelopment scheme at Newark, Nottinghamshire. Page 6

● **TATTERSALLS** will hold a special sale at Newmarket on December 1 for a draft of 30 American-bred fillies, all with winning form. Page 37

● **DR. ARTHUR BURNS**, chairman of the U.S. Federal Reserve Board, expressing optimism over the prospects for the U.S. trade and balances payments, urged that a tax increase be introduced to soak up excess demand. Page 5

● **MERCEDES-BENZ** is to launch two new cars at the Frankfurt Motor Show later this week—the 230 4, which replaces the 220, the cheapest Mercedes, and the diesel-powered 240 D. Page 44

● **STAPLEGREEN** Insurance Holdings recorded a 21.7 per cent increase in pre-tax profits to £2.4m. for the year ended March 31, 1973, and was laying the foundations of an "expansionist policy," said Mr. F. L. Perkins, the chairman. Page 38

● **ILLINGWORTH MORRIS**, the worst spinner that last year recorded "extraordinarily good" profits, expects further improvement this year, reports chairman Mr. M. Ostrer. Page 38

● **NORFOLK CLERGYMAN**, the Rev. Tony Clements, who quit his job as a parish priest to quit African violets, has formed a £50,000 holding company to meet the boom in demand for the flower. Page 38

## Australia and New Zealand revalue to check inflation

By ANTHONY HARRIS

Australia and New Zealand yesterday announced revaluations of their currencies against the U.S. dollar. The Australian dollar will rise 5 per cent, to stand at US \$1.4875, and the New Zealand dollar by 10 per cent, to US \$1.478. In both cases, the declared motive is to check domestic inflation.

The foreign currency prices of Australian and New Zealand exports of farm produce and minerals are not expected to rise more than marginally as a result, except in the case of New Zealand lamb, but both Governments hope to encourage imports of manufactured consumer goods.

The revaluation will in each case, be supported by domestic measures. The Australian programme stresses monetary restraint, while New Zealand is introducing tighter price controls, restrictions on some food exports, and liberalisation of imports.

Both countries have already revalued in recent months. Australia by 7.05 per cent when Mr. Gough Whitlam's administration took office in December, New Zealand by 3 per cent two months ago.

The latest revaluations, which are reported to have been decided on without consultation, come close to restoring parity between the two currencies.

In Whitehall, the moves were greeted with surprise, but it is thought that the effect will on balance be favourable to the U.K. Dairy products, which are perhaps the most important U.K. imports from the two countries.

Imports from the two countries from the cost of living point of view, are in world surplus. In any case, the levy-free price of New Zealand butter under the U.K. Treaty of Accession with the EEC is fixed in sterling at £390 a ton. Fruit and mineral imports from these sources are also subject to strong world competition.

The price of New Zealand lamb could prove sensitive, both because of the new restriction on New Zealand exports, and because conditions of world meat shortage may encourage producers to hold out for higher prices.

On the other side of the account, the revaluation should help British exporters in markets in which they have traditionally been strong. The higher New Zealand import quotas, including a 50 per cent increase in the quota for built-up cars, are also seen as offering opportunities for British exports.

Australia's domestic monetary restrictions, which are intended to mop up excessive liquidity, are likely to be supported by continued measures to discourage the inflow of foreign capital.

Michael Southern, Australia Editor, writes: Mr. Gough Whit-

lam, the Prime Minister, foreshadowed a sharp increase in interest rates in the near future as a result of the revaluations. He said the Reserve Bank, with the support of the Government, would step-up its activities in the bond market vigorously to increase sales of Government securities in an attempt to mop-up excessive liquidity in the private sector.

A sharp rise in interest yields on Commonwealth issues would take place and would be reflected in higher interest on new issues. This is seen by the Government as a major step in its fight against inflation, currently running at some 13 per cent a year.

This move is surprising in that the Government and, in particular, Mr. Frank Crean, the Treasurer, have advocated a low interest rate policy.

One of the major problems the Government sees is its excessive overseas reserves. Steps to reduce the capital inflow have included the rule requiring a 25 per cent deposit of incoming funds to be deposited interest-free with the Reserve Bank. While this has slowed down the capital inflow, reserves are still high as a result of the

Continued on Back Page

## Oil: U.S. must not be at anyone's mercy—Nixon

By ADRIAN DICKS

WASHINGTON, Sept. 9.

PRESIDENT NIXON said yesterday that the U.S. must rely on making better use of its own energy resources to avoid being at the mercy of other countries.

"We are going to do the very best we can to work out problems with Middle Eastern countries," he declared, but went on to reiterate: "We are also keenly aware that no nation must be at the mercy of any other nation by having its energy supply cut off."

"The U.S. must be in a position where no other nation can cut off our oil."

### Top officials

After a lengthy and reportedly stormy meeting with 15 of the nation's top officials concerned with energy matters, Mr. Nixon announced a number of decisions intended to help solve both short- and long-term energy supply problems.

Although not directly linked to last week's nationalisation moves of foreign oil companies by Libya, to which he made no direct reference, the meeting was inevitably overshadowed by the action of Colonel Kheddafi.

The President appealed to state and local governments to relax their clean air standards to allow high sulphur content heating oils to be imported this winter, warning that "very serious shortages" might be the alternative.

Governors of key north-eastern

and mid-western states are to meet this week to discuss the matter with Mr. John Love, the President's assistant for energy problems.

Mr. Nixon also said he attached "the highest urgency" to four energy Bills now before Congress—those allowing construction of the Alaska pipeline, setting new strip-mining standards, increasing natural gas prices and permitting new deep-water tanker ports to be built.

Looking to the longer term, he announced he would seek to open up for production one of the four large domestic oil reserves set aside for use in wartime by the U.S. Navy.

This is the Elk Hills field close to Bakersfield, California, which is estimated to contain some 1,000m. barrels, sufficient to produce more than 200,000 barrels a day.

The President repeated his belief that the licensing system for nuclear power stations must be speeded up, serving notice that he intends to bring aside doubts raised in recent months about the safety of a number of plants either already built or in the planning stages.

There is also likely to be stiff opposition from environmentalists to the Administration's plan to relax controls on the use of high sulphur oils just when real improvements in the quality of the polluted air of many large U.S. cities have begun to be felt.

Even so, according to official forecasts, dependence on imported crude this winter is likely to reach some 500,000 barrels a day if normal weather conditions prevail, and could be double that figure if it is really cold.

It is a fairly safe bet that the motor manufacturers, given the fact that the winter is well further postponed, on grounds of fuel economy, of the stiff clean-exhaust regulations due to come into effect on 1976 model cars.

Washington feels, however, that until Americans can be persuaded to use energy less wastefully it has no choice but to try to head off a situation where quite serious shortages would become inevitable according to present projections of rising consumption.

Another factor which is increasingly making its impact felt is the shortage of all types of packaging materials.

There is also a general shortage of plastic materials with high demand on the one hand and, in the case of polystyrene, raw material shortage as well.

### Rationing idea

Last week, Mr. Love floated the idea of a rationing scheme for heating oil this winter, although it is not clear whether the Administration seriously intends to introduce such arrangements or whether it was merely preparing the ground for putting pressure on the states and cities to relax their clean air rules.

The White House believes that relaxation of these standards would increase supplies by between 200,000 and 400,000 barrels a day.

Even so, according to official forecasts, dependence on imported crude this winter is likely to reach some 500,000 barrels a day if normal weather conditions prevail, and could be double that figure if it is really cold.

## Serious run-down in grocers' stocks

By SANDY McLACHLAN

THE GROCERY trade is experiencing shortages in such a wide range of brands that many retailers are facing their worst out-of-stock situation for years.

Tesco is having difficulties with several hundred different lines, which are either out-of-stock or in short supply due to spasmodic delivery.

Mr. Dick Branstetter, managing director of Allied Grocers Distributors, which takes in the VG voluntary group, says that in his experience the situation is the worst it has been since the immediate post-war period.

The retailers' experience is backed up by the wholesalers. The National Federation of Wholesale Grocers recently claimed "there has been a combination of widely varying circumstances which have contributed to a build up of an out-of-stock situation which a year or two back would have been regarded as unthinkable."

### Late crops

In some cases, natural factors are to blame. The late spring crops of some vegetables made life difficult for canners, and even caused a shortage of potato crisps.

Now, with some fruit crops well below the demand level and others posing canning difficulties by arriving unexpectedly early some canned fruits are likely to be in short supply. A general problem is the all-round rise in price of foodstuffs because of high worldwide demand.

In the U.K. this problem is exacerbated by the situation of the food manufacturers under Phase Two.

Manufacturers are understandably reluctant to allow stocking up by retailers and wholesalers when they feel that a price increase is imminent.

### VAT problem

Industrial disputes are responsible for a number of brands being out of stock at any one time. Additionally, the whole supply situation in the confectionery industry was thrown out of gear by the unexpected decision to zero-rate confectionery for value added tax.

The manufacturers effectively received only three weeks' notice rather than the 10 weeks which they regarded as a minimum, and delivery disruptions have inevitably resulted.

Another factor which is increasingly making its impact felt is the shortage of all types of packaging materials.

There is also a general shortage of plastic materials with high demand on the one hand and, in the case of polystyrene, raw material shortage as well.

## Mortgages: Barber may aid societies

By JOHN BOURNE, LOBBY EDITOR

MR. ANTHONY BARBER, Chancellor of the Exchequer, is believed to be willing to do what he can to help the building society leaders who he meets tomorrow for urgent talks about their difficulties over mortgage rates.

He will do this provided he is satisfied with their evidence that society funds are moving significantly to the banks, because of the banks' higher interest rates. Figures on Friday are likely to show a precipitous fall in the societies' intake of savings.

The most likely form of aid—since another Government subsidy is firmly ruled out—would be for the authorities to act on clause 15 of the Bank of England document on Competition and Credit Control.

That envisages a possible ceiling on the interest rate offered by the banks on savings deposits—the small "retail" savings on which the building societies traditionally depend.

Action to reduce interest rates in general is considered unlikely in the present circumstances, with the Government eager to maintain its policy on the money supply.

### Undertaking

In return for any "pegging" move on savings deposit rates, the Chancellor would certainly ask for an undertaking that the usual of the Building Societies Association at its key meeting on Friday would recommend members to hold mortgage rates to 10 or 10 1/2 per cent. Some societies are already charging 10 per cent, or more for new mortgages.

If a solution along these lines is reached by Mr. Barber and building society leaders, it would do much to take the steam out of the Government's growing political problem over mortgage rates.

To-morrow's meeting at the Treasury is also likely to deal with one and possibly two longer-term issues.

The first is the Government's continuing pressure on the societies to create a stabilisation fund, to be built up when investors' money is plentiful, as it was last year, and then use when the money begins to dry up, as it has in recent months. It is recognised that such a fund might need official support for its interest rate; contributions might be subject to official control.

Mr. Barber may also urge the societies to consider abandoning their long-established policy of paying the same interest rates to all classes of depositors. Differential rates for smaller investors and large ones—with a

higher rate for large sums on long-term deposit—would help a great deal, it is felt, to minimise any problem caused by the banks siphoning off funds from the societies during periods of rising interest rates.

### Indicators

This week will also provide a further batch of important economic indicators.

The movement of wholesale prices in August, to be published to-day, will be studied with some concern. There have been lagging behind import prices for some time and retail prices have lagged in their turn, so the index is a warning of inflation to come.

The trade figures, to be issued on Thursday, are expected to show a continuing upward trend in exports. The key question there will be whether there is any change in the trend of imports. The City is already dis-

counting a very heavy deficit, and a figure of less than £150m. would be greeted as good news.

This might also offer a temporary and welcome pause in the economic policy debate.

Mr. Barber is understood still to be holding firmly to the view that the economy is not overheating—in spite of pressure and labour shortages in the construction industry, which should be eased eventually by current high interest rates—and that the Government should continue with its present economic policy.

Barring unforeseen incidents, Mr. Barber is now expected to make his next major pronouncement on the state of the economy at the Mansion House banquet in mid-October, after the party conference and just after Parliament reassembles.

Editorial comment Page 12

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## OVERSEAS NEWS

## Chilean tensions mount after factory shooting

BY HUGH O'SHAUGHNESSY

SANTIAGO, Sept. 9.

CHILE WILL be turned into another Vietnam if a coup d'état is attempted against the Government. This was the principal message to emerge from a fiery and combative speech here this afternoon by Senator Carlos Altamirano, Secretary-General of the Chilean Socialist Party, the largest component of President Allende's Popular Unity Government.

Sen. Altamirano called for the full mobilization of the workers against their "class enemies" who were plotting against the Government. In strong implicit criticism of his fellow Socialist, President Allende, Sen. Altamirano said that past discussion with the Opposition had only produced back tracking by the Government. He rejected any dialogue with "seditious groups" who were starting the country — a reference to the current transport strike which is severely cutting food supplies.

In a warning to the Government he said that the "great combative force of the Socialist Party" would only be thrown behind the Government if it insisted on the full implementation of the Popular Unity programme.

He accused the U.S., in concert with Brazil and Bolivia, of trying to overthrow Chile's legally-constituted Government.

Violent incidents on Friday evening between airport troops and the nylon factory formerly owned by the Sumar family have caused many of the tensions between the Government and the armed forces. Troops machine gunned the factory causing damage to machinery and injury to three workers after the unit had allegedly been fired on from the plant and from the surrounding area while it was searching a nearby house for arms.

Yesterday President Allende

summoned the chief of the armed forces to the presidential palace for consultations. He also had long discussions with the leaders of all parties in his Popular Unity Government coalition.

The armed forces appear to be convinced that the factories and slum districts are stuffed with weapons and are on the point of armed revolution. An air force statement yesterday, for instance, alleged that the Sumar workers were "armed, organised and trained for paramilitary operations."

This line of argument is strongly resisted by Government supporters who say that no factory search by troops has revealed firearms and that the searches and consequent damage and occasional injury are a provocation by the armed forces to the working classes. They further accuse the armed forces of doing little or nothing against suspected Right-wing extremists.

## Burns says Nixon policy 'too lax'

BY GUY DE JONQUIERES

WASHINGTON, Sept. 9.

DR. ARTHUR BURNS, the chairman of the Federal Reserve Board, emphasised in strong terms today that the Fed is firmly committed to its current tight money policy even though it will bring some economic hardships in the months ahead.

In a speech in Minneapolis Dr. Burns also chided the Nixon Administration for pursuing too lax a fiscal expenditure policy and urged a tax increase to help soak up excess demand. He endorsed, as he has done before, the idea of flexible fiscal measures which could be quickly removed once the economy was back on an even keel.

At the same time the Fed. chairman expressed considerable optimism over the prospects for the U.S. trade and payments balances, despite the immediate inflationary aftermath of the successive dollar devaluations. Throughout his speech Dr. Burns stressed in very deliberate language the Fed's independence from the Nixon Administration and left no doubt about his demand for capital goods; the fact that U.S. industry has been steering the economy back to running close to capacity; and more stable growth and that its task is being complicated by

excessive spending policies in the Administration and Congress. "By now," he said, "even sceptics in the financial community should be convinced that the Federal Reserve will not flinch in its determination to moderate substantially the pace at which money and credit supplies have been expanding."

He disclosed that during July and August the rate of growth of money supply (in terms of currency plus demand deposits) had slowed to only 2 per cent, compared to 8 per cent in the first half of this year and 7.5 per cent in 1972. But while acknowledging that a number of businesses and the home building industry will suffer, Dr. Burns remained resolute about not letting up the brake before monetary growth had stabilised.

Beyond the effects of fiscal and monetary policy Dr. Burns conceded that inflation had been aggravated by a combination of unusual factors. These were: the negative effects of the dollar devaluation; the world-wide demand for capital goods; the fact that U.S. industry has been steering the economy back to running close to capacity; and poor harvests in a number of countries.

## Pompidou to start week-long China visit

By Giles Merritt

PARIS, Sept. 9.

PRESIDENT POMPIDOU leaves Paris tomorrow afternoon for a week-long visit to China. He is due to arrive in Peking on Tuesday and will stay until September 17. On his way back here the President is to make a stopover at Tehran, where he will have talks with the Shah.

M. Pompidou is scheduled for a total of 12 hours of talks with either Party Chairman Mao Tse-tung or Premier Chou En-lai. Trade is understood to be very high on the agenda, while M. Pompidou is also expected to press for the expedition of such projects as French oil exploration there.

As the first West European Head of State to visit the People's Republic, the French are understandably making much of the event. It is even being pointed out that it is the first official "State" visit by a Western leader, as President Nixon's celebrated trip there last year was "unofficial." At any rate, President Pompidou is being cast here in the role of European spokesman in Peking, especially so during the discussions on security and the limitation of strategic arms which are expected to dominate much of the talks.

Whatever the tangible results of M. Pompidou's initiative—and it being hoped that export orders worth a possible Frs2,000m. will be among them—his trip is being described as the logical result of a special Franco-Chinese relationship of nine years' standing.

Ever since General de Gaulle established diplomatic relations with China in March 1964, when France had become determined to reject U.S. influence and China that of the Soviet Union, the two countries have been steadily closer through their opposition to the two "super-powers." Observers here believe that this is the key to this week's summit, although no one is going as far as to say that it is also the basis for any radical changes in French foreign policy.

## Bonn fears that Soviet action is threat to Ostpolitik

BY MALCOLM RUTHERFORD

BONN, Sept. 9.

THERE IS now increasing concern here that the Soviet treatment of dissident intellectuals could endanger East-West relations and undermine Chancellor Brandt's Ostpolitik. In particular, recent Soviet statements and actions appear to have produced a more sceptical attitude in Bonn towards the European Security Conference.

The whole issue has been highlighted by the case of Herr Guenter Grass, one of the country's best-known novelists and an active campaigner for Herr Brandt's Social Democratic Party (SPD). Herr Grass has been invited to Moscow to give a lecture by the West German Ambassador, Herr Ulrich Sahn.

At the beginning of this month, Herr Sahn cabled him advising him to postpone the visit on the grounds that the atmosphere in the Soviet capital had become too nervous.

Herr Grass reacted strongly by publishing his reply to Herr Sahn, which not only criticised the Soviet treatment of intellectuals, but also said the policy of détente could be taken too far and warned against foreign policy which forgot about the freedom of the individual. Other normally pro-Government writers supported Herr Grass.

The SPD presidium expressed its anxiety about Soviet behaviour last Tuesday, but this still fell short of a clear statement by Herr Brandt or the Government as a whole. By Friday, the mass circulation Bild Zeitung had managed to get hold of one of the most prominent of the dissidents, Mr. Andrei Sakharov, on the telephone. Mr. Sakharov was quoted as saying that an appeal from Herr Brandt to the Soviet Government would help.

Herr Brandt duly issued a brief statement yesterday. "I feel associated," he said, "not only recently with those who are in danger because of their convictions. My views on cultural

and scientific freedom are known to the Soviet leadership." These events have led to a new questioning of the basis of Ostpolitik. The trials of the dissidents have come only shortly after Bonn ran into difficulties with Prague over the claim to represent West Berlin in consular matters. Prague's hard line on this is generally traced back to Moscow. There have also been a number of difficulties in relations with East Germany.

UPI adds from Moscow: The Tass news agency today criticised two foreign statesmen who have spoken up in favour of dissidents in the Soviet Union. Tass said there are "still individuals abroad who are trying to distort the actual state of affairs" in the world by opposing détente with the Soviet Union. "It is strange," Tass said, "when they are joined by some statesmen in Sweden or Austria who try to link their statements on this subject with the conference on security and co-operation in Europe."

This was an evident reference to comments made recently by Austrian Chancellor Bruno Kreisky and Swedish Foreign Minister Krister Wickman, who said a crackdown on dissidents in the Soviet Union was doing nothing to further the cause of world détente.

## Ireland lifts lending rates

By Dominick J. Coyne

DUBLIN, Sept. 9.

ALL CATEGORIES of lending rates charged by the Irish Associated (Clearing) Banks are being increased by 0.75 per cent from the close of business tomorrow and the Central Bank has also approved upward adjustments to deposit rates.

## Thin show of unity at Algiers

THE FOURTH NON-ALIGNED Summit conference, grouping 76 countries, closed a five-day session here tonight with an outward show of unity but deep divisions behind the scenes.

Declarations on political and economic issues, which avoided extremes at either end of the ideological spectrum, were adopted by consensus.

But all the hard-hitting resolutions, calling for such things as withdrawal from the Mediterranean of the Soviet and U.S. fleets and a boycott of Israel, were left on one side because no one could find a form of words which 76 countries would be likely to support.

There was an air of crisis and desperation early to-day when it was feared that the conference would be unable to finish its agenda because of impossibility of reaching agreement on numerous points.

Reuter says Morrison writes: "enthusiastic last-minute difficulties, until it emerged in a private session that the conference was in danger of being adjourned."

The 5,000 delegates, who were expected to receive impressions from the 76 countries and observers that the year-old movement has "solidified" and almost impossibly and politically diverse.

Private Heads of State from Libya's Col. Khedafi, the Cuban Premier, Fidel Castro, and the Cuban Prime Minister, who rejected Dr. Castro's "false and baseless accusations."

Later to-day, the Cuban

Several Heads of State have already left Algiers and there seemed to be a growing likelihood that many of the conference's most contentious issues, such as whether the non-aligned group should set up a permanent secretariat, would have to be postponed to a subsequent meeting of Foreign Ministers or even until the next Summit.

Throughout the conference it has been very clear that the more than 70 nations attending have very widely differing impressions about what non-alignment is all about. This makes it very difficult for it to act as a coherent group or bloc in the way for instance the Organisation of African Unity does.

The open row between Col. Khedafi and Dr. Fidel Castro, who the Cuban Prime Minister suggested that Dr. Castro had no business attending the conference because his country was dominated by the Soviet Union, was only the most spectacular example of the conference's difficulties in working out a common political line.

Dr. Castro, for his part, attacked Brazil's presence here as an observer because he said it had too close ties with the U.S. This led to-day to a sharp reply from the Cuban Prime Minister, who rejected Dr. Castro's "false and baseless accusations."

Later to-day, the Cuban

ALGERS, Sept. 9. Premier announced that his country would immediately break off diplomatic relations with Israel.

In another development to-day President Idi Amin of Uganda called for the expulsion of Malawi from both the non-aligned conference and from the OAU. Speaking at a Press conference, he described Malawi as an agent of the imperialists and more dangerous than the imperialists themselves.

The Ugandan President reiterated his refusal to discuss anything about compensation for British firms taken over by his Government unless Prime Minister Heath visited Uganda personally. I am no longer small to Britain. I am big," President Amin declared.

Earlier President Amin had told the other Heads of State that he was on the side of those who favoured the setting up of a permanent non-aligned secretariat. There was loud laughter when he added that a good place for it to be set up would be Kampala.

## Oil crisis 'a deception'

CAIRO, Sept. 9.

MAJOR JALLOUT, the Libyan Premier, said to-day American talk of an energy crisis is "imperialist deception" possibly aimed at justifying future armed intervention to take over the sources of Arab oil.

In statements published by a Cairo news magazine, Major Jallout reported that new and important oil discoveries were made by Libya recently "which make nonsense of claims that Libyan oil reserves will be finished in 15 years."

He also said Libya will try to win a resolution from the Organisation of Petroleum Exporting Countries replacing the dollar by a "guaranteed currency" in oil payments.

UPI

## 'CHILD LABOUR IN HONG KONG'

JOHANNESBURG, Sept. 9.

A JOHANNESBURG newspaper today published a special survey of "shocking" wages and labour conditions in Hong Kong to underline what it said was blatant hypocrisy by Britain over wages paid to African workers in South Africa.

The two-page article in Johannesburg's Sunday Express alleged that child labour was common in the Crown colony and that multi-million pound British companies were paying "near starvation wages" to some of their Chinese workers.

Reuter

## INTERIM STATEMENT

## NEGIT S.A.

Semi-Annual Report (Unaudited) or the period 1st January 1973 to 30th June 1973

## RESULT OF OPERATIONS

Net Assets increased by U.S.\$4,327,635, including Net Investment Income of U.S.\$144,118.

## CONSOLIDATED ASSETS AT 30TH JUNE 1973

	U.S.\$	Percent
Quoted investments at market value	18,240,285	98.26
Cash	682,992	3.68
Net payables	(396,347)	(2.13)
	18,527,030	99.81
Preliminary and prospectus expenses less amounts written off	36,357	0.19
	\$18,563,387	100.00

The number of shares in circulation at 30th June 1973 was 1,649,550.

## NET ASSET VALUES

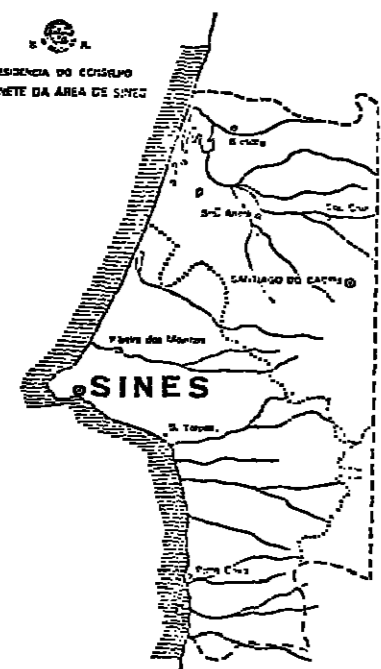
At 30th June 1973 U.S.\$11.25 per share  
Highest and lowest during the period U.S.\$11.25 per share  
At 29th/30th June 1973 U.S.\$11.25 per share  
At 5th January 1973 U.S.\$ 7.11 per share

Copies of the Report may be obtained from NEGIT S.A., 10a Boulevard Royal, Luxembourg or Hill Samuel & Co. Limited, 100 Wood Street, London EC2P 2AJ.

## REPUBLIC OF PORTUGAL

## GABINETE DA AREA DE SINES

## PREQUALIFICATIONS OF BIDDERS FOR THE PROJECT, SUPPLY, AND INSTALLATION OF THE EQUIPMENT FOR THE OIL TERMINAL OF THE PORT OF SINES (1st PHASE)



The Gabinete da Area de Sines (G.A.S.) will accept up to 5 p.m. of October 29, 1973, applications for the prequalification of bidders for the contract "Project, supply, and installation of the equipment for the oil terminal of the port of Sines (1st Phase)".

Either individual firms or consortia are eligible as long as they are able to supply documentary proof that they have carried out similar works to those envisaged by the G.A.S. to the satisfaction of the committee for the selection.

The oil terminal specification refers to the handling of tankers up to 500,000 DWT with an easy expansion to 1,000,000 DWT. The main breakwater of the port under construction is foreseen to reach depths of 45 to 50 metres.

The conditions of application, details of the necessary documentation, and any further information required, may be obtained from: Divisão de Terminal Oceanico do Gabinete da Area de Sines

Rua de Artilharia Um, 33-3°

Lisboa-1

Phone: 65 55 40/9

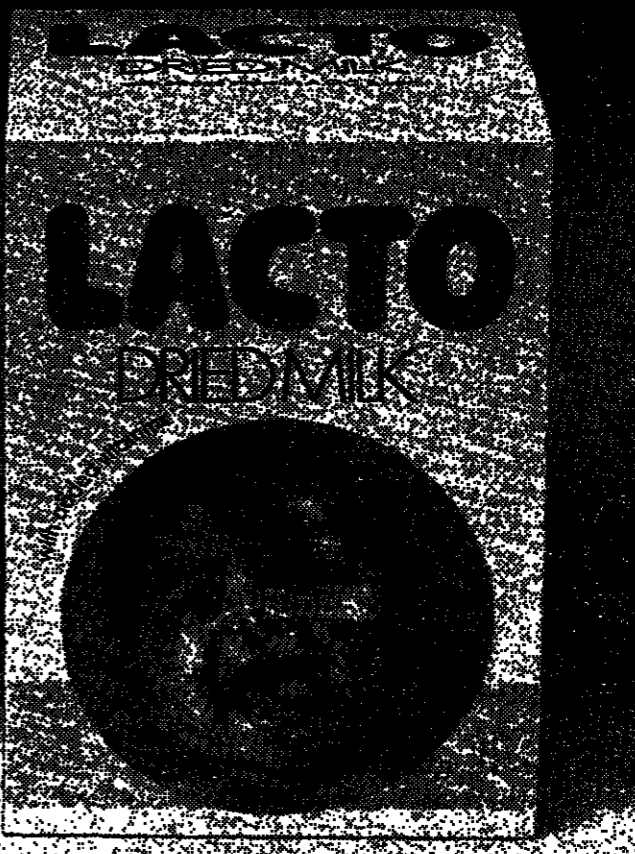
Telex: 1372 GASLES P

António da Silva Martins, Eng.º

Director

Gabinete da Area de Sines

In Lagos, you could lose a packet on one of these products. Which one?



The packet. For lots of reasons you've probably guessed. But for one important reason you might not have known.

In many parts of Nigeria, cans have a double life; when they're empty, they're re-sold and re-used for a host of things from water jugs to table lamps. And large petrol cans are often beaten flat and used for roofing.

This is the sort of information that the locals know and insiders, like Standard and Chartered, who are also there, have learnt through their

daily life in the business community. These are the small things which might never come out in your research but which could lead to expensive mistakes. These are the details which Standard and Chartered make sure you get, along with the hard facts.

Standard and Chartered are in a unique position to help you expand or break into markets in Africa and all over the East.

As a leading British bank with over 1500 offices in 55 countries, we

can report daily on personalities, opportunities and situations, in a doubly well-informed way.

We know the answers to your questions and we know why you've asked them. And you don't have to be a customer to use our marketing services, just contact:

Standard and Chartered Banking Group Limited, Head Office: 10 Clements Lane, London EC4N 7AB. Telephone: 01-623 7500 ext. 453.

Standard and Chartered BANKING GROUP LIMITED The Marketing Man's Bank

# CBI to decide its line on Phase Three this week

BY HAROLD BOLTER, INDUSTRIAL CORRESPONDENT

THE CONFEDERATION of British Industry will decide its detailed proposals for Phase Three of the Government's counter-inflation policy at a series of key meetings to be held this week.

It is thought that the CBI is anxious to present the Prime Minister with a complete package of ideas for the next stage of Government policy at its Downing Street meeting planned for September 18.

Within the Confederation there is the feeling, following last week's Congress at Blackpool, that although TUC leaders may be able to talk to Mr. Heath directly, their mandate from Congress will not allow them to take part in any three-party negotiations over the terms of Phase Three.

Special committees believe to be For this reason, the CBI's September 18 meeting and one planned by Mr. Heath with the TUC on September 20 have assumed more importance. Although it is expected that further discussions may be held with Mr. Heath in the following week, the CBI feels that its chances of getting its views over now are becoming limited.

There is a general expectation that the Government will produce a Green Paper discussion document on Phase Three either in the last week of September or the first week in October.

tion's attitude towards the Industrial Relations Act, although this is not regarded as a very live issue.

It was being emphasised yesterday that the Confederation is not seeking a reform of the Act as such, and that it has not been asked for its views by the Government.

Nevertheless, the subject has been for some time on the agenda for the talks now taking place, and the CBI is preparing a complete document on its approach towards the Act, just in case.

The CBI's draft views are already circulating. In essence, a working party of eight leading members has produced proposals for changes, including the abandonment of the present registration requirements, an end to legal enforceability of collective agreements, and the possible repeal of the emergency powers for secret ballots and "cooling-off" periods.

Fundamentally, however, the working party still gives full support for the basic principle of the Act as a framework of law for industrial relations.

As things stand, the CBI's document will almost certainly not be needed during the current round of talks on the economy.

With the TUC pressing for the Act to be abandoned or at least put on ice, rather than calling for specific reforms, the CBI's views on what changes might be made will almost certainly not be sought by Mr. Heath.

## Made clear

It has already been made clear that the CBI cannot see the possibility of an early return to free collective bargaining, although it hopes that it will be possible to move to more flexible periods of negotiation during the course of the policy.

At their meeting with Mr. Heath, the CBI team, led by Mr. Adamson and Sir Michael Clapham, the president, will also carry a report on the Confed-

# Ironfoundry output falls despite boom in heavy industry

FINANCIAL TIMES REPORTER

THE RECOVERY in the iron foundry industry slowed down in the second quarter of 1979 despite the boom in heavy industry.

Figures published to-day by the Council of Ironfoundry Associations show that production fell from 923,000 tonnes in the first three months of 1979 to 878,900 tonnes in the second quarter. In seasonally adjusted terms this is a decline of just over 1 per cent.

The council yesterday described the figures as "disappointing in view of the reported boom in heavy industry."

It blames the decline on a shortage of both scrap metal and skilled labour. The industry's labour force was dropped by about 300 workers in the second quarter of 1979 compared to an expansion of 600 men in the first quarter.

Only one sector of the industry — those foundries supplying iron casting to the engineering industry — escaped the drop in production. Worst affected were those foundries supplying the building and domestic sectors.

Because of last year's coal strike however, total production figures still show a 10 per cent increase on the same period last year for the first six months of 1979.

A warning that half of Britain's 2,000 or so foundries might be out of business by 1980 is to be given by Mr. John Fenton, director-general of the Institution of Mechanical Engineers, in his introduction to a management workshop for the industry on September 14 at Leamington Spa, Warwickshire.

Mr. Fenton states that profit margins have to be increased to provide capital for modernisation of plant and that more skilled labour has to be found.

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# Japan is fastest growing market for Scotch whisky

FINANCIAL TIMES REPORTER

JAPAN IS now the second largest customer for Scotch whisky.

The Japanese market has been the fastest growing market in the world in both July and the first seven months of the year according to official statistics.

Scotch exports to Japan this July amounted to 987,000 proof gallons valued at £2.8m. This year's running total of Scotch shipments to Japan is ahead of last year's corresponding period by 238 per cent in volume and 246 per cent in value—to 3.6m. gallons worth £10.9m.

The growth is due to a lowering of the Japanese duty rate last year, the devaluation of the pound against the yen, and extra sales efforts by both exporters and importers.

The U.S. increased its Scotch imports in the seven-month period by 7.9 per cent in volume and 9.5 per cent in value—to 17.7m. gallons worth £24.9m. and was still the biggest overseas market.

Total world exports of the five categories of Scotch in the first seven months was 41.8m. gallons worth £137.7m., an increase of 20 per cent in volume and 21 per cent in value on last year.

Italy was the third largest overseas market in the period. Scotch exports there rose 56 per cent in volume and 67 per cent in value to 2.03m. gallons worth £3.04m.

Spain imports of Scotch recovered in July but the seven-month total of 1.7m. gallons valued at £5.7m. was ahead of last year by only 1 per cent in volume and 7 per cent in value. Western Germany also recovered in July but the seven-month period shows a decrease of 8 per cent in volume and 18 per cent in value compared with last year — gallons worth £3.7m.

While other European countries also showed healthy growth, Spain was outstanding in Scotch imports in the period. Shipments to New Zealand rose 56 per cent in volume and 67 per cent in value to 1.04m. gallons worth £1.94m. Australia advanced 41 per cent in volume and 40 per cent in value to 1.33m. gallons worth £2.5m.

South Africa slipped per cent in volume to 1.1m. gallons but rose 9 per cent in value to £1.7m. Despite recovery in July itself, the remained disappointing period with both volume and value down 23 per cent and 18 per cent respectively. Gallons worth £2.6m.

# Atlantic charter fare plan from U.S.

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE U.S. Civil Aeronautics Board has put forward a plan for cheap transatlantic charter rates of about 263 return (\$182) minimum.

This plan, which is subject to comments from the airlines and other interested parties, such as Governments, is believed to be in response to the recent decision of the Washington Appeals Court, which ordered the CAB to withdraw its earlier approval of the current North Atlantic air fares agreement.

low rates on their own through such schemes as Advanced Purchase E (APEX) fares.

The CAB said that below the rates it was imposing might be found unjust and unreasonable should be investigated suspended in the absence of the most convincing justification.

Scheduled airlines meet the International Air Transport Association, meeting will almost certainly swiftly to the CAB's recommendations.

They began their meeting, and have only a few days in which to draw up a set of fares, if they are government approval have it operational by 15 October.

The CAB plan is the one to which the airlines had hoped otherwise be a tough comparative straight-forward of inter-airline competition.

This notion has already been rejected by the Washington fares agreement. On North Atlantic fares, the CAB said that it was disposed to withhold any new IATA at which further raised economy fares or airlines some alarm, however, materially to eliminate since they have been seeking permission to introduce similar fares.

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# Big Newark development has outline consent

BY PETER RIDDELL, PROPERTY CORRESPONDENT

OUTLINE PLANNING consent has been granted to Arrowcroft for a 53m. central area redevelopment scheme in Newark, Nottingham.

Arrowcroft, appointed in February by Newark Corporation to carry out the project, has signed heads of agreement with the council on the ground lease for the land on which more than 100,000 square feet of shopping and office space will be built.

The scheme has been designed by Gordon Benoy and Partners, and the proposals have been submitted to the Royal Fine Arts Commission which has approved them in principle.

Work is due to start early next year, and the development should be fully operational two years later. It will provide 90,000 square feet of shopping plus 15,000 square feet of offices together with parking for 650 cars.

The shopping space will include a 30,000 square feet supermarket, two further shops and some smaller units. An Arrowcroft spokesman said that demand for space had been "exceptional" and "about 40 companies, local, regional and national, have made inquiries which easily exceed the number of shops available."

Letting agents are Weatherall, Green and Smith and John E. Mitchell and Sons. The engineers are H. L. Waterman and Partners with Norwell and Partners as the quantity surveyor.

# Shareholdings register for Derby council

TO AVOID allegations of local government corruption, a voluntary register of all members' financial interests is to be compiled by the controlling Labour group of Derbyshire County Council.

The move follows the discovery that some Labour councillors have been approached by companies offering "perks" in exchange for local authority orders.

Mr. John Beadle, secretary of the Derbyshire Co-ordinating Committee of the Labour party, said yesterday, "We are also developing a code of conduct which we hope all local councillors will adopt. All members of the new county council will be invited to register their shareholdings and financial interests in companies."

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# Rising tramp shipping rates upset forecasts

BY JAMES McDONALD, SHIPPING CORRESPONDENT

THE VERY high freight rates a basic ingredient for shipping. This grain required considerable time to get to the review points out.

Shipping is facing one big difficulty, the cost of money and the fact that the greater proportion of freight is paid in the main trading currency, the U.S. dollar.

Recently shipbuilders have increased the cost of ships to the owners by 10 or 12 per cent. per annum, or to put it another way, 1 per cent. per month for later deliveries, quite apart from any bigger profit margins.

In the summer of 1972 deliveries for most ship types could be obtained in 1974 and 1975. Because of shipping demand, the builders have secured large numbers of orders so that the deliveries are now into 1977 and 1978 according to size.

The ship that would have cost \$3m. if ordered last summer now costs over \$4m. to build, or a ship ordered last autumn at \$10m. would now cost \$16m.

However, other needs appear, perhaps due to the very strength of the market, and now imports of grain and foodstuffs into the Indian sub-continent are active at high freight levels.

The oil tanker market roughly followed the same pattern as the dry-cargo market and to-day tanker owners are obtaining the highest rates for voyage business ever paid in relation to the size of tankers now at sea, the review points out.

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The oil tanker market roughly followed the same pattern as the dry-cargo market and to-day tanker owners are obtaining the highest rates for voyage business ever paid in relation to the size of tankers now at sea, the review points out.

Shipping is facing one big difficulty, the cost of money and the fact that the greater proportion of freight is paid in the main trading currency, the U.S. dollar.

Recently shipbuilders have increased the cost of ships to the owners by 10 or 12 per cent. per annum, or to put it another way, 1 per cent. per month for later deliveries, quite apart from any bigger profit margins.

In the summer of 1972 deliveries for most ship types could be obtained in 1974 and 1975. Because of shipping demand, the builders have secured large numbers of orders so that the deliveries are now into 1977 and 1978 according to size.

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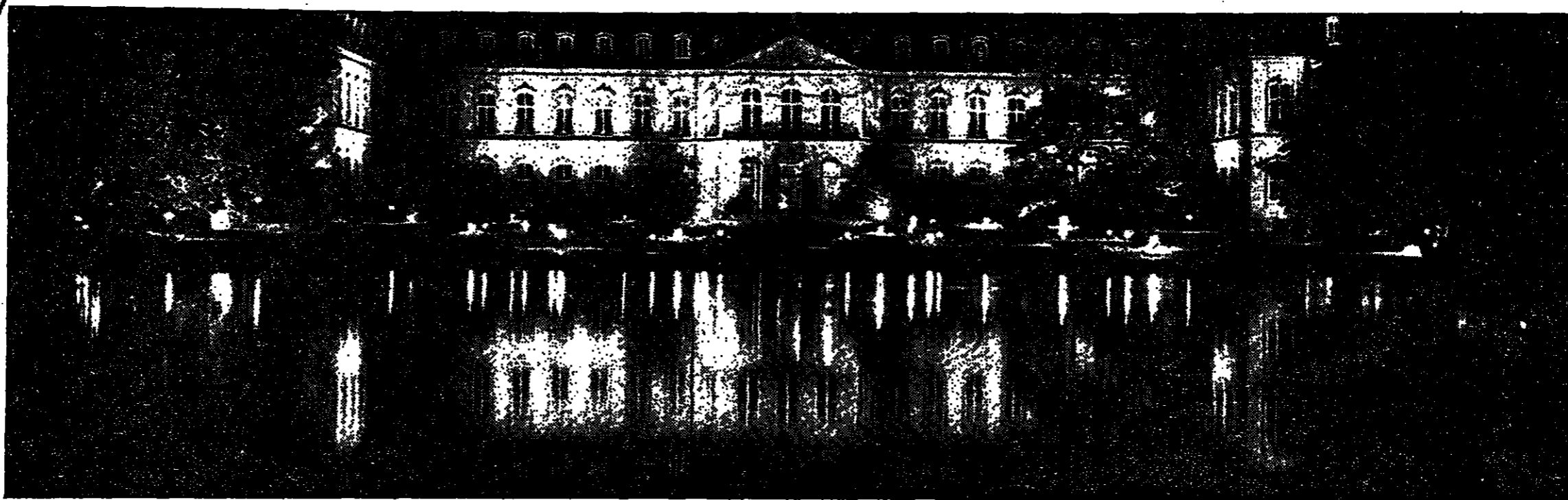
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A publication of the Bosch Group. Project: an S8 cine camera with automatic time exposure control.

## Automatic time exposure and electronically-controlled film feed. Or, how the Bauer Royal cine camera lets you film at night.

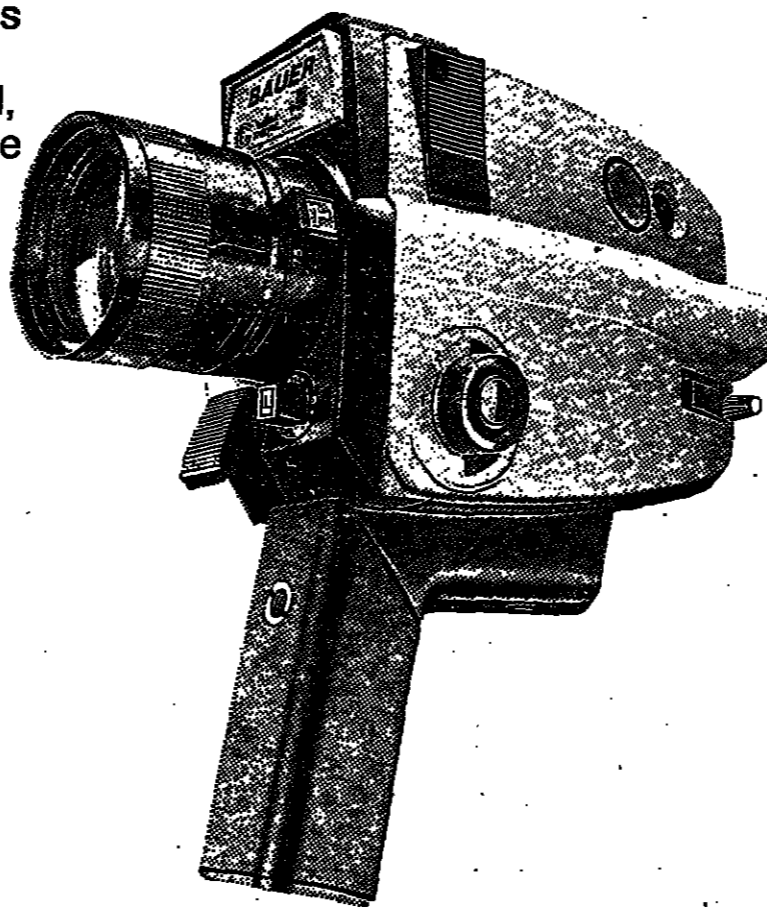


How many amateur photographers have regretfully had to pack away their cameras at the very moment when the subject was at its best but there was no longer enough natural light for filming?

The normal exposure time must be increased considerably when the light is poor or at night, and this is precisely what the Bauer time exposure mechanism does. It measures the subject brightness by means of a photo-electric cell while the frame is being exposed, determines the required exposure and automatically makes the appropriate adjustment to the camera shutter mechanism.

Has any amateur photographer not at some time had that longing to record on film a particular scene which impresses him more than usual? The interior of a church perhaps? Or in a castle or museum. But always without any artificial light, of course.

There are possibilities outdoors too at dusk or during the night. Moon and clouds, city streets at night, shop windows, illuminated buildings and fountains, lights on the water and many others. But the problem is usually the same — too little light.



This is where the Bauer automatic time exposure mechanism, developed by Robert Bosch Photokino GmbH, comes to the rescue. It exposes each frame for exactly as long as the conditions require. This means fewer but better frames.

It works like this:

- A folding photo-electric sensor (a CdS cell) measures the brightness of the subject during each exposure.
- The required exposure time is calculated automatically from the light reading.
- An appropriate triggering signal is fed to the electronically-controlled film drive so that each frame is accurately exposed.

Since the automatic system exposes the frames individually, which means that the exposure time varies, it is difficult to correlate the filming time with the duration of the projected scene. So Bosch have added a preselector to the automatic exposure mechanism. When the required projection duration of scene has been shot — up to a maximum of 14 secs — the preselector switches off the camera with the iris diaphragm closed.

Naturally, the Bauer Royal camera also has all the other features expected of a modern, high-quality instrument in addition to the automatic time exposure control and preselector. Zoom lens with macro adjustment, power zoom, large reflex viewfinder with crosswires focusing, exposure meter unaffected by variable battery voltage, single-frame and slow-motion facilities, remote control, automatic fading control, double-exposure mechanism, synchronised flash contacts, common start/stop switch for camera and tape recorder.

And it is relatively small, relatively light and absolutely reliable. Thanks to a successful combination of precision engineering and electronics.

#### Reference:

„Langzeitautomatik an S8-Kameras“ (An automatic time exposure mechanism for S8 cameras) by G. Kühne. (Photo-Technik + Wirtschaft 5/73)  
Available from: Robert Bosch GmbH, Abt. WEB  
7 Stuttgart 1, Postfach 50, W. Germany

#### Bosch Group research — results — realisation

5,300 Research and Development employees in Germany. DM 271 million research budget in 1972. More than 15,000 patents and patent applications.

# BOSCH Group



# The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## AUTOMATION



This is one of the business ends of what will probably be the biggest stock control system to be implemented in Britain for several years to come. It forms part of the RAF supplies control service which will eventually be extended to more than 100 bases in Britain, all of which will be linked into a central data processing complex at Hendon. At this particular station, 40 of the Cossor displays such as the one shown in the foreground are used immediately to record stock outgoings as aircraft, vehicles and so on are serviced or repaired. As stocks are removed from the shelving and placed on the forklift truck, their coded descriptions are typed on the display keyboard and, after verification, transmitted over P.O. lines to Hendon where two big ICL computers constantly update magnetic "catalogues." Eventually, more than 1,000 Cossor displays will be on line by early in 1974. The overall contract, masterminded by a software system comparable with that used in the LACES customs document scheme at London Airport, was of the order of £5m.

## Controls a wealth of process plants

ICI, who pioneered process plant control by computer in Europe, has just ordered its thirteenth K70 process control system from Kent Automation, bringing the total value of orders placed for this equipment in the last three years to more than £1m.

K70 has been developed in a number of forms by Kent Automation, Luton, member of the George Kent Group, and more than 50 have been applied to process control in many industries throughout the world, including France, Switzerland, West Germany and the U.S. ICI's latest K70 system is to go into Wallerscott Works and will be used to control part of the soda ash production process. A dual K70 system is already in operation at Wallerscott, recently completing a successful first year of operation.

K70 systems are supplied complete with fully tested software packages to meet the batch and continuous control requirements. A particular feature of

the system is Prosel—a language developed by Kent for batch processing and sequencing, now in use in the majority of ICI K70 installations.

Using Prosel, process specialists are able initially to write and subsequently to develop their own plant control programmes in the language. This facility was an important factor in the successful installation of ICI's first K70 system—at Organic Division, Burn Hall Works, Lancs., in 1969 to control a single product, batch chemical plant. Reliability has proved extremely high on this installation, despite continuous 24-hour operation in difficult industrial conditions.

Subsequent K70 installations have extended the system's application to the control of ICI plants for plastics and chemical manufacture in Australia and the U.S. as well as the U.K.

The largest K70 installation undertaken by ICI is the multi-machine complex at Organic Division, Huddersfield. Here again Prosel has been used

A management computer with high-speed data links to two separate K70 systems controls a new batch dyestuffs plant. Prosel language provides the basic framework of the K70 sequencing system and, in co-operation with Kent Automation Systems, ICI engineers have formulated an hierarchical approach to the complete process.

CRT displays are used for operator communication, and a disc system on the management computer allows retrospective analysis of plant performances and the transfer of all recipe information to the K70 system. In line with general ICI philosophy, this system has limited back-up facilities and therefore reliability is critical. Consistently high reliability figures on-line have, however, justified the approach.

A more recent K70 installation on the same site will shortly bring the associated feedstocks to plant under computer control. Here again Prosel has been used

by ICI to define the overall control sequences on the process.

Meanwhile, Kent Instruments, the group's main process control subsidiary in the George Kent Group, is participating in the International Chemical Plant Engineering Exhibition being held in Tokyo, Japan, October 8-13 with a view to extending its collaboration with Japanese contractors in various parts of the world.

The most recent instance is a £200,000 instrumentation contract for extension to Mobil's Durban (South Africa) refinery through Chiyoda Chemical Engineering and Construction. Kent Instruments is showing a large number of process control instruments including Flexair electronic and Flexair pneumatic controls, Deltapi E electronic and Deltapi N pneumatic differential pressure transmitters, Veriflux magnetic flow equipment, and the latest Kent turbine meter units together with their associated electronic instrumentation.

## INSTRUMENTS

### Will gauge and analyse vibration

A LOW cost easy-to-use means of comparing the vibration levels of machine tools on a routine inspection basis, a pre-fault maintenance tool, has been introduced by Environmental Equipment of Eastleigh Avenue, Wokingham, Berks., RG11 2PP.

The instrument, called the model 2100, has a self-generating transducer and gives direct readings in displacement, velocity and acceleration.

A wide-band pre-set filter (10 to 1000 Hz) allows for making measurements of velocity in accordance with DIN and ISO recommendations and the all-pass acceleration bandwidth is 1 Hz to 60 kHz which enables measurements of bearing noise to be made. Wide-band noise can often give an indication of bearing wear and the method is becoming increasingly recognised as a means of revealing abnormal bearing friction.

The equipment is supplied with a low output impedance piezo-electric accelerometer claimed to be extremely robust and virtually unaffected by magnetic fields up to several thousand gauss.

Because of the wide frequency range capability of the input signal, the analyser has a tuned filter covering a frequency range of 1.5 Hz to 15 kHz. Tuning dial calibration is to  $\pm 2$  per cent. Two

selectivity positions of Q=10 and Q=20 allow for search and for tuning in to signals with interfering signals very close to the one required.

The analyser is in a case measuring 280 x 180 x 300 mm and the accelerometer is a 150mm stainless steel probe.

### Analysis of gases and liquids

THE CONCENTRATION of many constituents of industrial gases and liquids can be determined continuously by the Linas industrial ultra-violet photometer available from Hartmann and Braun (U.K.), Moulton Park, Northampton.

Two versions of the instrument are available designated F and G. They are of the same design except that the F model incorporates infra red band filters and a lead sulphide photoconductive cell with temperature compensation is used as a receiver.

This analyser is used for the determination of organic compounds whereas the Linas G, in which a vacuum photo-electric cell acts as a detector, is used in determining the concentration of chlorine, chlorine dioxide, nitrogen dioxide and mercury.

The principle on which the analyser operates is the varying absorption of ultra violet radiation caused by the gas or liquid under investigation.

## PRODUCTS

### Trimming brittle plastics

A MACHINE that will cut printed circuit boards and other brittle materials to a tolerance of 2/100mm on a length of 400 mm has been introduced by Micor, 51-53, City Road, London EC1Y 1AY.

The machine is said to give a fine finish without chipping the edge of the material. Known as the Micor 355 saw trimmer, it has a 150 mm tungsten carbide tipped circular saw blade and is designed for accurately trimming sheet materials up to 350 mm (33 inches) in length. The machine is also suitable for cutting name plates and pyralites, resin-bonded materials and glass fibre up to a thickness of 25 mm can also be used for cutting at any angle up to 60 degrees.

Height of the saw blade is infinitely adjustable by turning a hand wheel on the front of the machine. By this means, the operator can ensure that the blade does not project more than necessary beyond the thickness of the material being trimmed. The saw blade height adjustment also allows narrow grooves, recesses and slots to be cut in various materials.

The machine is powered by 1.5 h.p. electric motor which operates the saw spindle through a belt drive. Saw spindle speeds are 3,500 and 5,300 rev./minute.

controlled machines for the sheet materials industry. Zambette Electronics' main initial product is a control system based on an extremely sensitive capacitive switching device which enables any person, however handicapped, but with the mental facilities, to carry out the assisted variety of basic and important functions.

### Small size high field

AN ALTERNATIVE to the conventional electromagnet in high-field applications is the cryomagnet system type CMD 30 now being offered by Oxford Instruments, Osney Mead, Oxford OX2 0JD. Simplicity of operation and sample handling, small size and versatility are the particular features claimed.

For example, the straight-through, room temperature bore in a short cryostat simplifies sample mounting. The use of a single service chimney allows substantial space for the addition of top or bottom loading low-temperature inserts or high-temperature furnaces. A vacuum system and consumables, liquid helium and nitrogen are all that is required for operation.

The CMD 30 comprises a basic cryostat with straight-through, room temperature bore, any one of the many standard NBTI super-conductive solenoids from 4.0T to 11.0T in field strength, and standard electronic and cryogenic instrumentation.

### High density terminals

AN ALMOST infinite number of assembly choices is claimed for a range of high-density 10 mm rail-mounted screw-clamp terminals recently put on the market by Channel Electric Equipment of 18, Cross Street, Reading, RG1 1BR. They use a snap-on assembly technique, and there is a full range of accessories including clamps, shunt strips, earth continuity strips, plug-in links, test probes, covers and identification markers.

Three types are available covering 10A (type 130000), 15A (type 126000) and 30A (type 128500) current ratings. The 130000 types are miniature units which will accept cable sizes down to 1 square mm in area. The 20A 128500 will accommodate cables up to 3.39 square mm. All types use spring loaded compression plates for maximum cable security. Types 130000 and 126000 can also be supplied with solder tag or wire-wrap terminations as required.

## TRANSPORT

### French push on with air cushion hovertrain

WHILE Minister and Select Committee in Britain are locked in an uneasy squabble on the fate of the British Tracked Hovercraft project, France's Aerotrains company is quietly pushing on with its high-speed test project involving a full-scale 90-seater vehicle to run at speeds up to and over 400 kph.

This is the same equipment as Aerotrains already has extensively tested on the 45 km track built near Orleans at speeds of over 300 kph, power being supplied by a large ducted fan and support by an air cushion.

The new propulsion will consist of small jets, one mounted at the tail. Tests should be the end of this year. Meanwhile, the French Railways appear to be their initial distrust of the train project since they given Aerotrains a contract study the possibility of using the existing overhead as far as Paris, a distance 116 km from Orleans.

## COMMUNICATIONS

### Inductive loop system

BATTLE HAS now been joined in the inductive loop in-house communications system market in the U.K. by the Swedish company Sonab. The company has appointed Blick National Systems, Benjamin Street, London EC1 5JQ as agents for a system with two-way speech capability, capable of accommodating up to 900 units each measuring 4 1/2 by 2 1/2 inch. The pocket devices are powered by nickel-cadmium cells.

Each unit can call or be called by a central control or by up to eight special telephone control points throughout the area covered. The mobile units can also make contact with each other, with two-way speech. With incoming telephone calls, the switchboard operator is able to tell any member of staff carrying a pocket phone who is calling him and the requirements. A reply relayed verbally by the unit without the recipient of the call needing to use a conventional telephone. Of use to departments or departmental heads, which it is possible to cater with a group of simultaneously, wherever may be.

The Sonab system, fully approved by the Post Office for connection to the public telephone network, has a charging rack for each unit, is automatic charged overnight or when user is absent. The process needs no plug or switching on and a battery acts as an in/out giving a special sound to anyone who calls.

## HANDLING

### Automatic weighing

UNTIL RECENTLY the weighing of materials has generally been performed manually, or at best, semi-automatically.

However, the demands of modern industry have made it necessary for manufacturers to seek means of increased throughput and more consistent products, and to meet this need a modular weighing control package has been produced by Instep of Stone, Staffordshire, designed around its flexible sequence controller, the Instep Plus.

The package is capable of controlling weighing cycles from a single weighing to the more complicated multiple weighing system with numerous checks and sub-routines. It affords the user a number of significant benefits, including increased production throughput, no material wastage, improved and consistent

product quality, and savings in labour or increased plant utilisation.

The basic weighing facilities include: measurement of over/under tolerances, zero tolerance feed cut-off point; tumblers on each step; full control of the weighing single-step operation analogue weighing input.

A comprehensive optional facilities is offered. These include: digital display of actual weights; power fail protection; the step status of the weighing; separate in-plant adjustments for material feeds and weighing input.

## DATA PROCESSING

### Makes paper tape perfect

EXCLUSION of possible sources of error represents a considerable part of the working effort in data processing. In order to obtain true results, the collected data must be checked meticulously before it is processed further. The tape verifier LSP 4300, which has been developed by Sulzer, can be used for selective or complete check and correction of standard one-inch paper-tape punched in any code. Features of this new product are its simple operation, high efficiency and extremely low noise level. The design resembles a key-to-tape station (Flexowriter).

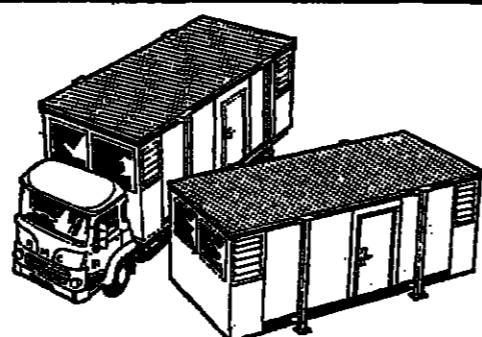
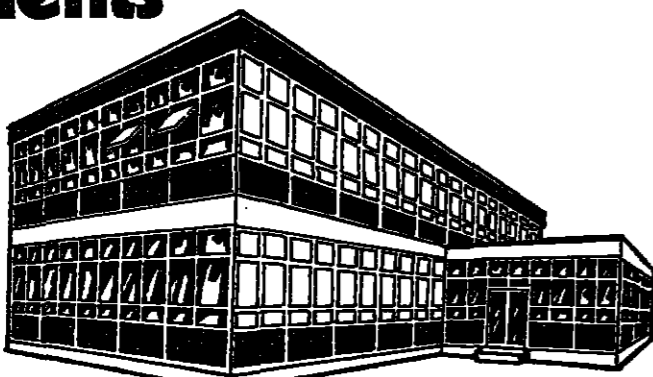
The data is introduced via a tape reader and an alphanumeric keyboard, the data output by way of a tape punch. The operation is determined through the control code received by the reader from the punched input tape and the input at the keyboard. Faulty operation is signalled by means of lamps on the indicating panel and an acoustic alarm. If corrections become necessary, they can be made via the automatic Illumi-

nated correction key device operates in three modes, namely "SI" for "Duplication", "Dup" for "Duplication" and "Check" for "Check". In the "check" mode, only symbols to the left of the keyboard and tape agree with each other. Symbols can also be omitted. The LSP 4300 is successfully tested for the processing of production systems. It can also be used for the processing of texts for NC-machines.

Sulzer operates from Winterthur, Switzerland.

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## Technology backed by EED

MAJOR investments in three British companies, one specialising in advanced medical products, one in machine tools, and one in the manufacture of advanced electronic systems for aiding handicapped people, are being made by European Enterprises Development (EED), the European venture capital company.

The companies are: Lyo Research, Sittingbourne, Kent; Dowling and Doll, Chandler's Ford, Hants.; and Zambette Electronics, Sheehyres, Essex.

The main product of Lyo Research is Lyofom, a surgical dressing made from a non-toxic polyurethane foam which has a special treatment been rendered capable of absorbing blood and wound exudates and of isolating them from the wound at the same time (that is it is hydrophilic). Thus Lyo reckons to be able to make significant inroads into the U.K., U.S. and European markets for wound dressings.

Dowling and Doll manufacture a line of automatically controlled machine tools for the sheet metal industry and, through its subsidiary, Pierce-All, offers a range of complementary manually

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MONDAY SEPTEMBER 10 1973

On the day Len Murray takes over at Congress House, John Elliott, Labour Editor, reports on the views and policies of the man who has been out of the limelight until Vic Feather retired last Friday.

## The start of a long term at the top of the TUC

### Setback for IMF reform

THE FAILURE of the Committee of Twenty to make any progress on the reform of the international monetary system at their three-day meeting in Paris last week is obviously disappointing. It casts a cloud over the prospects for the Ministerial Monetary Fund in Nairobi later this month, and this in turn could unsettle the foreign exchange markets.

It is particularly disappointing for the U.K. since a postponement of monetary reform means a postponement of any international solution to the problem of the sterling balance. The Government has gained a breathing space with its extension of the dollar guarantee for official sterling holders, but it now seems less probable that an alternative arrangement will be found before the six months are up.

#### Political

But last week's deadlock need not be regarded as conclusive proof that no progress will be made at Nairobi. The technical problems involved in monetary reform are highly technical; they are also intensely political, and it is not entirely surprising that the officials, after having made some progress in July, should have preferred to leave the real decisions to their Ministers.

George Shultz, the U.S. Treasury Secretary, was not altogether accurate when he claimed recently that the only purpose of an international monetary system was to facilitate trade and payments. Over the past decade the dollar standard has certainly fulfilled this requirement; what it has not done is to satisfy the distinct, and in some degree competing, interests of all the main participants. The purpose of reform is to give more balanced weight to these various interests, and in that sense the IMF negotiations are about the economic balance of power between the U.S. and the rest of the world.

A year ago the U.S. Administration was anxious that the dollar should be put on the

#### Tokyo

It may be that last week's deadlock will turn out to be a last spasm of obstinacy by officials, in the hope of improving their national negotiating positions at Nairobi, rather than a premonition of failure. But even the impression of deadlock is likely to throw a shadow over the launching of a new round of trade liberalising negotiations in Tokyo on Wednesday.

In principle, the Ministers are not expected to do more than adopt a fairly anodyne declaration which will allow the negotiations to get under way at official level. But one of the outstanding points of dispute is what link (if any) there should be between monetary reform and the trade negotiations. The set-back in the Committee of Twenty need not have any practical effect here, since the monetary reform could still be completed well before the end of the trade negotiations, which are due to last at least two years. But the psychological effect of continued deadlock at Nairobi could have damaging repercussions on the trade talks.

### Mortgage rate dilemma

THE only factor that now seems likely to prevent an increase in the present 10 per cent mortgage rate when the Council of Building Societies' Association meets on Friday is some last-minute intervention by the Government. Tomorrow's meeting between the Chancellor and building society leaders should show whether such intervention is likely. The difficulty the Government has been facing in making up its mind on this question comes from the fact that the political and economic arguments are pulling in virtually opposing directions.

There would be a perfectly reasonable case for doing nothing and letting competition in interest rates work its full course. The rising cost and scarcity of mortgages has already led to a flattening of house prices and there are indications that builders are cutting back on their programmes for new houses for sale. Given the present shortage of building materials and the growing signs of over-heating in the economy, some reduction in the load on the construction industry might not be unacceptable. But a further rise in mortgage rates would intensify the squeeze on existing, and would-be home buyers. True, inflation makes house purchase a good long-term bargain, and one cannot ignore the fact that council rents are also due to rise this autumn. But no government can be expected to remain politically insensitive to mortgage rates rising into double figures.

#### Undesirable

It is not easy to think of suitable alternatives, however. The Government has itself ruled out a temporary subsidy along the lines of the three-month grant it made to peg the rate at 9 per cent. This was an undesirable move for many reasons.

Hidden dangers would also certainly lie in the remedy favoured by the building societies themselves. They likely to prevent an increase in the present 10 per cent mortgage rate when the Council of Building Societies' Association meets on Friday is some last-minute intervention by the Government. Tomorrow's meeting between the Chancellor and building society leaders should show whether such intervention is likely. The difficulty the Government has been facing in making up its mind on this question comes from the fact that the political and economic arguments are pulling in virtually opposing directions.

"I've got a mouth now—before I only had two ears," exclaimed the new general secretary of the TUC last Friday lunchtime as he suddenly emerged from the comparative obscurity of the assistant general secretaryship to take over what is one of the most difficult jobs in the trade union movement.

To-day Mr. Len Murray starts work in earnest on his new job at the TUC's Congress House headquarters near the British Museum while Mr. Feather starts moving out of the general secretary's suite of offices.

For the past four or five years, if not longer, it has been fairly certain that Murray would succeed to the top job this September. During that period he has had plenty of time to develop his theories about the job and the policies he would pursue.

### Job changes the man

He has, however, had no chance of putting them into practice because the job of the assistant general secretary is essentially organisational—in fact his influence was probably greater in the preceding 15 years when he was secretary of the TUC economic department. Throughout this time Murray has been regarded as a withdrawn man, more used to, and more useful in, backroom jobs than in the limelight—and as an economist more effective in a civil servant's than in a leader's role. But the job changes the man, and in Murray's brief public appearances on television and at a Press conference at the end of last week's Blackpool annual Trades Union Congress the note of authority was already apparent.

### Industrial power

He is a tough man, with well-thought-out views which he puts forward with a firm conviction covering the wide range of topics on which a TUC general secretary is expected to pronounce.

Broadly he is anti-Common Market, pro-economic growth, but against wage restraint for his own sake. He is against restrictive labour laws but in favour of laws encouraging positive labour relations. He believes in talking to political parties about policies—both those in Government and those in Opposition—and firmly

believes the TUC has a major role to play in the country's political, industrial and social life.

He is in favour of unions using their industrial power to force economic change in certain circumstances and to force managements to modernise outdated practices. He recognises and accepts the fact of shop-floor power and wants to see it effectively harnessed.

Unlike Feather, who was general secretary for only 44 years, Murray at 51 can look forward to a potential 14 years (or maybe nine if he were to retire at 60) in the job. He will therefore not have to work at the wicked pace which Feather kept up and will have more time to find his feet among the conflicting policies of the TUC's various union leaders.

But he is being thrown immediately into a crucial initial test with the continuation of the TUC's talks with the Prime Minister in advance of Phase Three.

Here his economic views will be important. He regards the idea of continuing wage restraint legislation as "not on—it appalls me". It "doesn't produce results except an explosion at the end of the day." On the other hand, he points out, the TUC has said many times that it is in favour of overall incomes restraint for specific purposes—maybe because of balance of payments problems or the need at a certain time to help a specific group such as the low paid or pensioners.

### Collective bargaining

When asked about the regular demand for the TUC and its unions to take voluntary action to persuade their members to restrain wage increases he exclaims: "Why are we always talking about stopping people doing things—I want to see them doing things. I want active collective bargaining to correct our existing low wage situation."

He doesn't dispute that unions and their members can respond to leadership—providing that it is positive and not directly restrictive. He explains that unions can do no more than their shop stewards are prepared to do. If the Government and the TUC can together create a climate in which their common aims are recognised, then there is a good chance of a shop steward arguing with his strikers for restraint, claims Murray. This means that there

has to be enough conviction generated by whatever incomes policy is being tried for the shop steward to respond.

### Power of the shop floor

For this to happen, Murray rationalises the power of the shop floor by arguing that it is essential to involve shop stewards and local union officials in the making of strategic decisions—maybe through the type of industrial committees being developed by unions such as the Transport and General

restraint as useful only on occasion as a competitive device against foreign competitors, and even here gives it a fairly low rating because of other key factors governing exports such as design, efficiency and servicing—which again comes back to management efficiency.

Broadly, Murray points out that properly developed TUC/individual union/shop steward power can be harnessed at differing times either to stimulate the economy, with encouragement for high wage claims contrary to Government policy, or to restrain the economy. He sees it as entirely proper

one thing: "We make a distinction. We'll talk to the 'shadow' Cabinet when there is a Conservative Opposition—not to a Conservative Central Office. I won't talk to the party."

With the present Opposition the distinction is blurred, with the TUC drawing up policies for a future Labour Government with both the Parliamentary and party leaders. This Murray sees as a reasonable step to take with Labour beyond the merely educative role because of an "identity of aims and purpose... We're more likely to agree with Labour!"

### The Common Market

He also accepts that even a closely-knit Labour Party-TUC liaison in Opposition cannot bind a future Labour Government on all subjects. His dividing line is drawn depending on the predictability of events. He sees no reason why all the details of a new Industrial Relations Act or "nationalisation of the Bank of England" should not be signed and sealed in advance. On economic affairs, unpredictable external and internal changes—say the balance of payments—make advance detailing impracticable.

Feather brought the TUC much closer to the Labour Party than did his predecessor, Woodcock. While Murray will not be drawn on his plans in this area, it would be surprising if he withdrew sufficiently to go into "purdah" during the next General Election campaign.

On the Common Market, Murray is explicit: "I used to be pro-EEC till I did the arithmetic about ten years ago, when I lost faith in the large market theory. I don't know the optimum size for a U.K. market but I doubt if for many goods it is much larger than the U.K."

He is also scathing about those who are enthusiastic about the U.K.'s entry as a "douché of cold water which will spur us on to great new initiatives." Murray is clearly for such initiatives but says: "These have got to come as a conviction from ourselves—not from faith in ourselves rather than from outside devices like the Common Market."

He is in line with his two predecessors—Feather and George Woodcock—in wanting talks with governments. But he is also clear that it is the job of the TUC to talk to the party in Opposition, whether Labour or Conservative, "to ensure they are informed of trade union aspirations, what we can or can't do and how far we can go, so they know the likely TUC line on any policy."

This, to Murray, is straight education but he is clear about

### Differences be recognised

Rejecting possible allegations of xenophobia but admitting some sympathy for the views of

### Building up trust

He also wants unions to continue to build up trust with the TUC, with the encouragement of this by improving its services to unions and effectively carrying out authority given it by the Congress—for example, staging industrial action on behalf of pensioners or negotiating with the Government Phase Three. He is not in business of wanting the TUC to try to topple government through industrial action draws a distinction between this and what he (and unions) regard as acceptable area, it would be surprising if he withdrew sufficiently to go into "purdah" during the next example on pensions.

Internally, Murray is re-organising the way Congress operates and will soon be involved with the TUC's purposes committee in appointing a new assistant general secretary. This could well be the head of one of the TUC departments. But there are pressures for someone to be involved direct from an industrial union and the appointment of two assistants—one from outside and one from inside—must be ruled out.

Within Congress, Murray is regarded as a clear-minded, and an effective worker. He is said to have a great ability to get opinions and then to make quick decisions. Such attributes should serve him well as he tackles the essential job of TUC general secretary—to lead the TUC general council and Congress through despite the differing views of outside pressures.



Len Murray, at last week's annual Trade Union Congress.

## MEN AND MATTERS

### A Flight Case of Slum Clearance

"It's a slum," they cried. "And Britain's third busiest airport, too!" Words to alarm the operators of Manchester or Birmingham airports, perhaps. But no. This time the centre in question is Luton, where 3.5m. passengers, most of them much despised package tourists, are funnelled through a local sardine tin for their holidays—but Whitehall's attention is fixed on Luton, a crock of rate-revenue gold for the local corporation which owns it, is trapped between Government policy which says not another penny must be spent on the place, and passengers who insist on using it.

The result is a furrowed brow for airport director Mr. Bernard Collins, a man with £2.5m. corporation money in his pocket ready to spend on airport improvements, and a memo from the Government saying that not one brick can be laid.

The note just said the application had been refused. "I thought I'd missed something so I turned it over, but there was nothing more."

Collins is one of those half-fellow-well-met products of wartime flying who are currently the backbone of British air industry management. He opened and built up Southend municipal airport in the late 'forties and 'fifties when it was doing a roaring (literally) and profitable trade as a take-off centre for cross-Channel flights. He then moved to Channel Airways as deputy managing director. Channel, based at Southend, found the commercial turbulence of the late 'sixties too much so Collins turned his attention once more to airport operation rather than usage. The "slum" tag for Luton

came from Mr. Wilf Jones, maverick chief executive of Swiss-backed Cosmos Tours, one of the airport's biggest users. It upset the normally equable Collins who says that the airport may be cramped but is still clean. Behind the row is that giant twinkle in Government eye, Maplin. Collins wants to spend his money on passenger facility improvements—arrive at Luton from abroad these days and you'll find nowhere to get that cup of tea or glass of English beer you're dying for—but Whitehall's attention is fixed on Maplin, ten years and nearly 70 miles away.

Aerospace Minister Heseltine would obviously find it politically easier to close a delapidated "slum" in 1984 than the comparatively convenient airport which Luton wants to provide. Limiting the number of flights might make sense, but Collins sees little point in also limiting the number of seats, shops, lavatories and telephones in the place. The £1.5m. profit that Luton ratepayers made out of the airport last year is becoming almost an embarrassment—after all it is a good deal more than was managed by the tour operators who use it.

### Stone's Throw in Class House

Where can you hold a party for Mick Jagger which is inaccessible enough to ensure privacy, but grand enough to arouse a flicker of interest from that totally experienced face? For Atlantic Records, anxious to spread some good will as a curtain-raiser to the week-end's London concert of the Rolling Stones, the obvious answer was Blenheim Palace.

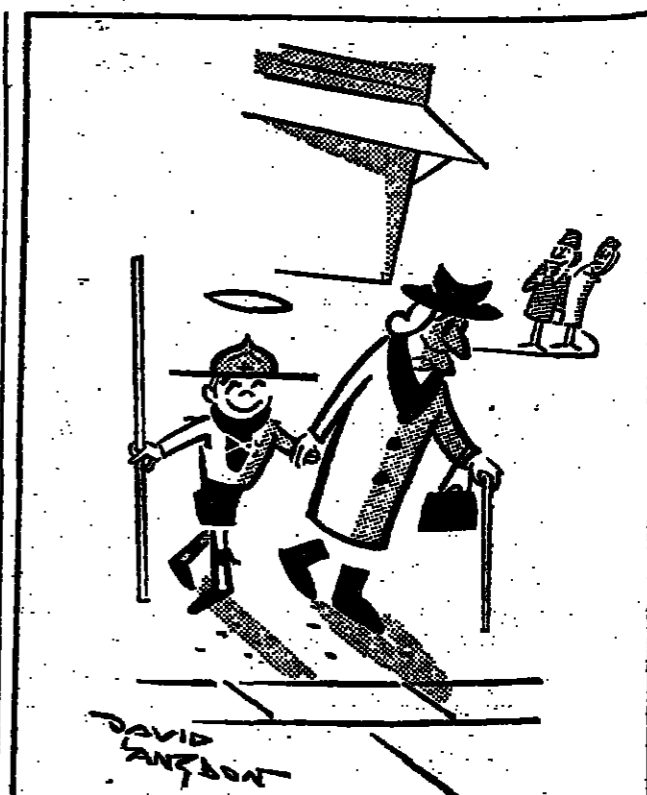
have imagined more of a formal at The Spectator. Though The Press conference than the party that actually occurred, but he managed to keep to his private apartments, and the Stones and their guests, who not surprisingly turned out to be mainly media people, caused little mischief in the public refreshment rooms of the Palace.

The Duke had left a few fountains on and, if the interior scenes were a bit bare, there of plenty of style outside stories by such eminent writers on the terraces where fire as Evelyn Waugh and Noel Coward, as well as the obvious clowns, and a string quartet girlie pictures. Its main amusement the pop aristocrats. At tinguishing feature was its size: one time the Duke was rumoured to be present but it turned out to be his butler.

Of course, the party was mainly business. The Stones have a new record on release. Goats Head Soup, and the expenses of Blenheim were only part of the £20,000 that Atlantic is spending to promote the fact. Indeed the current British tour is mainly a promotional exercise. It will bring in £750,000, but expenses will eat up £600,000 of this, leaving the Stones just £150,000 to divide between the five of them. They would not stir from the South of France for this kind of money if it was not for the fact that the record needs a boost, and they are fed up with the "Riviera sun" anyway. Rumours suggest that Mick Jagger might even return to England to live next year—which is a useful tip for estate agents with any really top of the market properties hanging fire.

### Think Small

Six years ago Mr. Harry Creighton emerged from relative obscurity as chairman of Scottish Machine Tools to take over The Spectator magazine. Since then he has sold out of SMT and been spending most of his time



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Observer

# U.K. BANKING

## Unease in London on eve of world monetary talks

By ANTHONY HARRIS

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The financial community has had a good few years of it; but a general unease has begun to oppress the City. Domestically, many bankers feel that they will soon be engaged in a struggle against controls from Whitehall in which the only question is how much ground they can hold. Internationally, the fears are more formless; but again, there is a feeling that the free financial market has been found wanting, and interventionism and restriction are in the air.

On the face of it, the implied judgment is grossly unfair. The financial markets have in fact functioned far more smoothly and effectively than nearly any one imagined possible since the collapse of the old international monetary regime two years ago. Trade has continued to grow as rapidly as ever, thanks to the development of the forward markets, and crises have been relatively muted. Considering not only the uncertainties inherent in a regime of general floating, but the heavy additional strains imposed by political problems in the U.S. and economic ones in the U.K., which have kept both the reserve currencies under suspicion, the total movement in exchange values has been moderate. As a mechanism, the financial market has functioned impressively.

However, we did not need the Concorde project to teach us that impressive machines can be unwanted; and the market has efficiently produced many unwanted results.

First, as the IMF has pointed out in its annual report, there is a general feeling that the exchange rates which the market has determined are unconvincing when judged against economic criteria—a conclusion which would be echoed in considerably stronger language in Bonn and Whitehall. The enthusiasm of two years ago for "clean" floating has virtually vanished—even in Washington, where the doctrine was born and where the results are viewed with something like satisfaction. It is now clear that the aim of the fundamental reform now under discussion is a system of exchange values controlled by active management under international political supervision.

The problem, so far as exchange rates are concerned, is one of time-lags. Trade balances respond to any change in rates slowly, and at first perversely; but exchange markets respond to fairly short-term developments.

The results can be threatening and cumulative, as can be seen from the extreme examples of the U.K. and Germany. Depreciation of the pound has imposed new burdens on the balance of payments as fast as the growth of exports has been able to respond to past adjustments, so that an encouraging performance

in volume terms produces steadily worse results in the current account. The danger of sliding, as it were, down the first stage of an end-into hyper-inflation, is no longer simply an academic nightmare. The authorities have started to use the reserves heavily to arrest the slide, and there is much discussion of other (highly traditional) measures to defend the exchange rate. Bretton Woods has, one might say, come to a market-economy Dunsinane.

In Germany, it is the surplus which has proved persistent and perverse. The fear, now widespread in industry, is of an obdurate recession. Again, the system is suspect.

The trouble is, of course, the original resort to floating was not intended to solve the problem of exchange adjustment, but quite another: the massive movements of capital which resulted from attempts to defend fixed values for convertible currencies. In this respect, floating has been a considerable success. Any attempt to suggest the market by re-imposing political decision and notions of long-term "fundamentals" must, however, revive the problem which originally provoked floating. The control of capital flows is a live issue again.

If this were a question of bureaucratic direction, the banking community might allow itself a cynical smile. For the best part of a decade, central bankers have talked of the need for controls. The threat, however, has always been rather that of King Lear: they would do such things... they knew not yet what they might be, but they would be the wonder of the world. The central bankers themselves have now come round to admitting their own limitations here.

There is no need, however, to police the financial markets to achieve the desired results. One method is to retreat from convertibility a little; the other is to limit the supply of the troublesome capital.

The history of attempts to restrict domestic access to international markets is chequered—with substantially complete success in the U.K. and in Japan (which is clinging with affectionate obstinacy to its controls), but of substantial failure in Germany. The motives for trying harder are strong: not only to protect a system of relatively stable exchange values, but to restore the autonomy of domestic monetary policy, and to protect the EEC's fragile attempts to build monetary union. It is now clear that the problem of monetary inflation provides the strongest motive for controls, while the bureaucracy in Brussels is likely to respond eagerly with the necessary directives.

The forbidding thing is that monetarist and nationalist

are hopelessly entangled here. The free movement of long-term capital has ever since the last war been a stated objective of international effort—at Bretton Woods, in the OECD, and at every international meeting. Recently, however, this aim has barely received even lip-service. Governments which are vocally worried about the effects of international capital movements on their money supply are privately equally worried about issues of industrial control, and the facility with which investment and employment can migrate under the control of multi-national companies with access to mobile funds. The Euro-currency markets are seen not only as the medium through which monetary inflation and/or high interest rates are transmitted, but as an element in long-term investment outside Government influence. So far as controls are imposed, then, they are likely to be durable.

However, it is the growth of the supply of mobile funds which has made their control a matter of urgent concern, and an alternative scenario is one in which the supply rather than the use of Eurodollars is the object of control. This is the real issue at stake in discussions of the type and availability of reserve assets in the reformed monetary system which is beginning to emerge from the discussions of the Group of 20, and which may be more clearly visible in Nairobi later this month.

A good deal has already become clear. Gold is to become a non-monetary reserve asset, traded (no doubt in limited quantities) at a market price, and subject to the uncertainties of any commodity in a market with enormous overhanging stocks. SDRs will displace both gold and currencies as the basic reserve asset—an asset which will only become available as commercial liquidity at the will of the monetary authorities.

However, these decisions beg the essential question from the banking point of view: how far will SDRs, limited to central monetary institutions, replace currencies as reserves? How far, in other words, will the dollar and sterling balances be consolidated in commercially accessible IMF accounts? Every step towards consolidation will tend to dry up the supply of Euro-currencies. "It's a question," as Secretary George Shultz recently remarked, "of how much one wants to dry it up."

The present indications are that the Europeans are a good deal more anxious to see both currency reserves and Euro-currency holdings reduced than the Americans are; this would suggest an outcome in which there was some reduction in the volume of Euro-funds accompanied by more or less stringent controls on their domestic use in the EEC. The form of these controls, in the shape of reserve requirements and detailed "physical" controls will be crucial.

So far as the control is on domestic borrowers, London and other European centres can continue to act as the centre for international capital transactions in third-country markets, and especially for the developing world. However, tighter controls of banking activities themselves, on the model of some European countries, coupled with relaxation of U.S. restrictions—which is waiting only for a stronger balance of payments—could result in the emigration of much of this business to the U.S.

If the U.S. is persuaded to agree to more stringent restrictions on foreign official dollar holdings than now seems likely, and a more general consolidation of dollar reserves, then the outcome could be very different. An SDR standard could then be expected to function much more like a gold standard, with correspondingly

less need for cumbersome controls; but some substitute would have to be found for development capital.

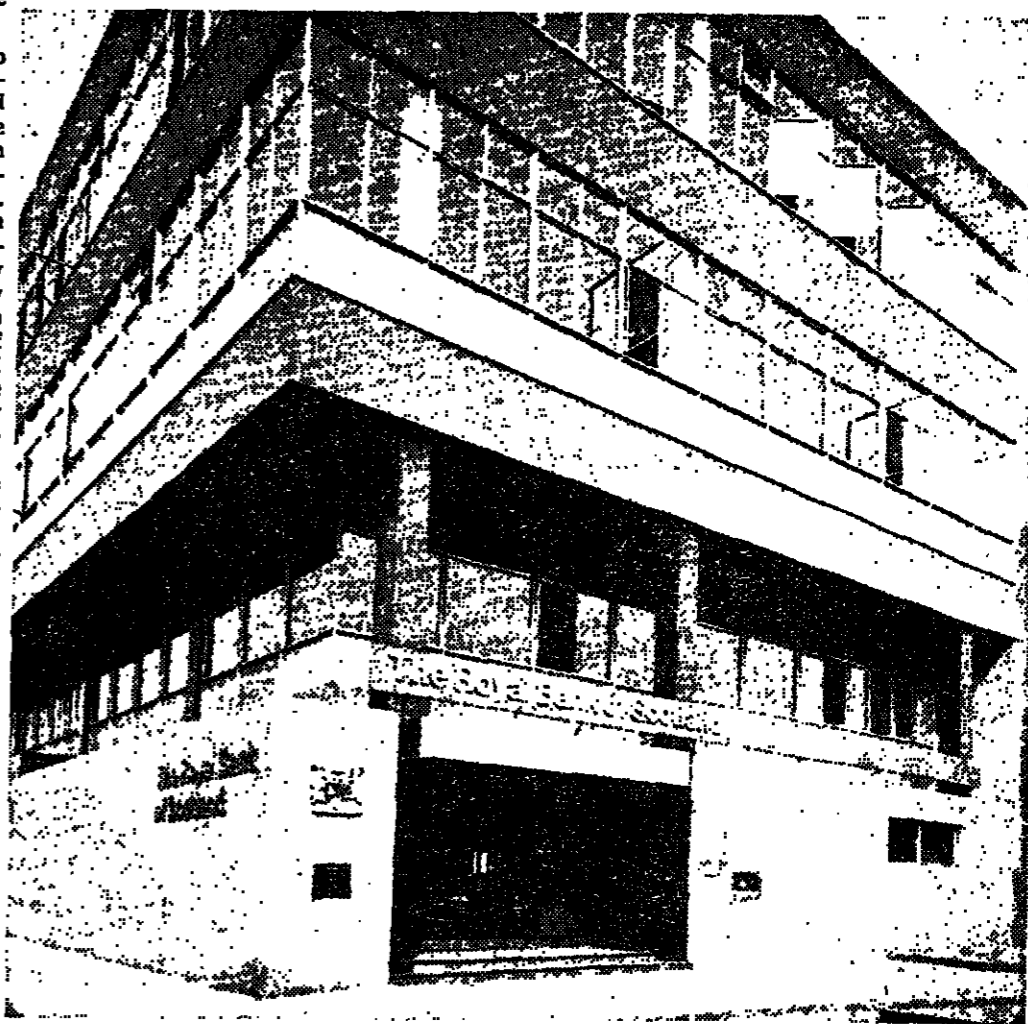
Here the aid link with SDRs is of great commercial significance. The tighter the restrictions on currency holdings, the greater the need and the greater the scope for a new source of development capital—which might take the form either of a new formula for the allocation of SDRs, or rather more probably of the issue of SDRs to some such body as the World Bank, which might well emerge as a preferred creditor from the point of view of the developing countries. Either way, the opportunities for commercial lending will be reduced.

It is especially unfortunate that at a time when so many issues of national and international policy are of vital interest to the banking community, its political influence should be at an apparent low point.

To a large extent, bankers may justly complain that they are scapegoats for problems which are not of their making. They did not take the fiscal decisions which have imposed such an undue burden on monetary policy in most Western countries. They are not responsible for shortages and fears of shortages of oil and other commodities, which are helping to accelerate inflation. They did not cause the imbalances which have generated such a runaway growth of liquidity in the past five years. Nevertheless, they are now threatened both by the needed reforms in the rules under which they work, and by the attempts which are all too likely to tackle inflation by trying to repress its symptoms. At a time when their profits arouse envy, these decisions are likely to be reached with less respect for their interests than they must wish.



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## Economy's capacity the key to current debate

WILLIAM KEEGAN, Economics Correspondent

Anybody writing this article in the middle of last week would have been reasonably confident in asserting that one of the prospects for the U.K. economy was a sterling crisis, timing of the wave of inflation which developed in the second half of the week is there here nor there. It could have happened a few weeks ago, or it could have been delayed until autumn. The fact remains that any observer with any sense of, or feeling for, the British economy sensed in bones that something was going to erupt some time.

The basic concern felt by both at home and overseas can be simply expressed: that too many strains have been placed on the economy by the Government to have a reasonable chance of correcting it is already a very large amount of payments deficit, and the more corrective action delayed, the more drastic deflationary measures must have to be.

This is not a view that has been emerging, indeed, since his Budget in March 1973. Mr. Anthony

Barber, was urged by the Parliamentary Public Expenditure Committee and the Cambridge group of economists led by Mr. Wynne Godley to take corrective action then. In the event the Chancellor opted to go for growth, introduced a "broadly neutral Budget," and do nothing about the already large Budget deficit. The Budget forecasts envisaged an annual rate of growth of gross domestic product of 5.2 per cent. between the second half of 1972 and the first half of 1974. Within this period some deceleration was expected to take place, and the forecast for the change between January-June, 1973, and January-June, 1974, was 4.5 per cent.

### Obvious features

There were a number of obvious features of the Budget strategy which drew comment at the time. One was the fact that a fairly high growth rate for consumer spending was still being assumed—4.5 per cent. between the first halves of 1973 and 1974. A second was the assumption that the growth rate

of exports of goods and services, net of imports and goods and services, would improve sharply over the forecast period.

The third, and probably the most widely commented on aspect of the strategy, was the very large central Government borrowing requirement of over £4,000m. for the 1973-74 financial year. The Chancellor gave no targets for the monetary aggregates, but said the borrowing requirement would be met "to the maximum extent" by means which did not increase the money supply—that is, by higher savings.

Absolutely crucial to this strategy was the interpretation of the underlying capacity situation in the economy—the pressure on resources. The Ministerial view at the time—and reiterated on many occasions during the spring and summer—was that unemployment was still high, and that the economy had sufficient reserves of capacity to cope with the demands being placed on it. These demands included the continuation of a high rate of growth, with exports and industrial investment playing a major

part. The growth of Government spending, Mr. Barber said, would decelerate sharply from the middle of this year onwards.

### Rather faster

In the event the economy appears to have expanded rather faster in the first half of 1973 than was expected; growth from now on could be correspondingly slower, and the average rate still consistent with the forecasts. Partly in reaction to the pre-VAT spending spree, consumers' expenditure dropped 3 per cent. in the second quarter, and what was then the official view was summed up by the independent National Institute of Economic and Social Research recently when it asserted: "The evidence is accumulating that the view taken by the Treasury and also by our own previous forecasts is being borne out: the rise in real demand is slowing down of 32 per cent. in the second quarter. But the National Institute argues that large differences in earnings make little difference to disposable income movements—because prices

expenditure of gross domestic accounts for over half of final expenditure of gross domestic

product; its rate of change is determined principally by movements in disposable income, but also by changes in the savings ratio and the availability of credit. The basis of the National Institute forecast is that, the growth rate of consumer spending will have been cut sharply from 7.3 per cent. between the fourth quarters of 1971 and 1972 to 2.9 per cent. between fourth quarters 1972 and 1973 and, again, 2.9 per cent. between fourth quarter 1973 and 1974.

The recent trend of disposable income has been affected by the 32 per cent. jump in import prices over the past 12 months, and the effects of the Phase One freeze, and Phase Two 12 plus 4 per cent. formula, on the growth of money wage rates. Rapid expansion has brought a fair amount of wage drift, however, and actual earnings rose at an annual rate of 32 per cent. in the second quarter. But the National Institute argues that large differences in earnings make little difference to disposable income movements—because prices

certainly exacerbate the inflationary situation.

The crucial phrase in the Institute's summary of the situation is "without excessive pressure on the economy's capacity." This is a much disputed judgment. Unemployment in Great Britain fell by 34 per cent. in the year to August, and now stands at 565,300 (seasonally adjusted). Unfilled vacancies are at their highest level since July 1955 and are not thought to have been distorted all that much by the recent streamlining of the employment services. The series which measures the number of people in employment has begun to rise sharply—it takes into account the "hidden reserves" of labour not included in the unemployment register. And the evidence of surveys conducted by the Confederation of British Industry and the Financial Times is that many of the classic symptoms of "overheating" have begun to appear: such as shortages of skilled and unskilled labour, and of material supplies.

One of the problems facing the Government may be that there has been a slowing down in the economy, but that this is only part of the picture. There has been a boom; expansion for the immediate future looks like being at least at the rate of the underlying growth rate of productive potential—say 3½ per cent. plus; and yet the impressionistic evidence is that, if there was spare capacity, it has largely disappeared. In which case, how does the Government reconcile its target of equilibrium in the balance of payments with a large Budget deficit? For the only obvious changes in official policy since the Budget have been some minor cuts in public expenditure (mainly for 1974-75) and a very recent attempt to slow down money supply and let interest rates go higher.

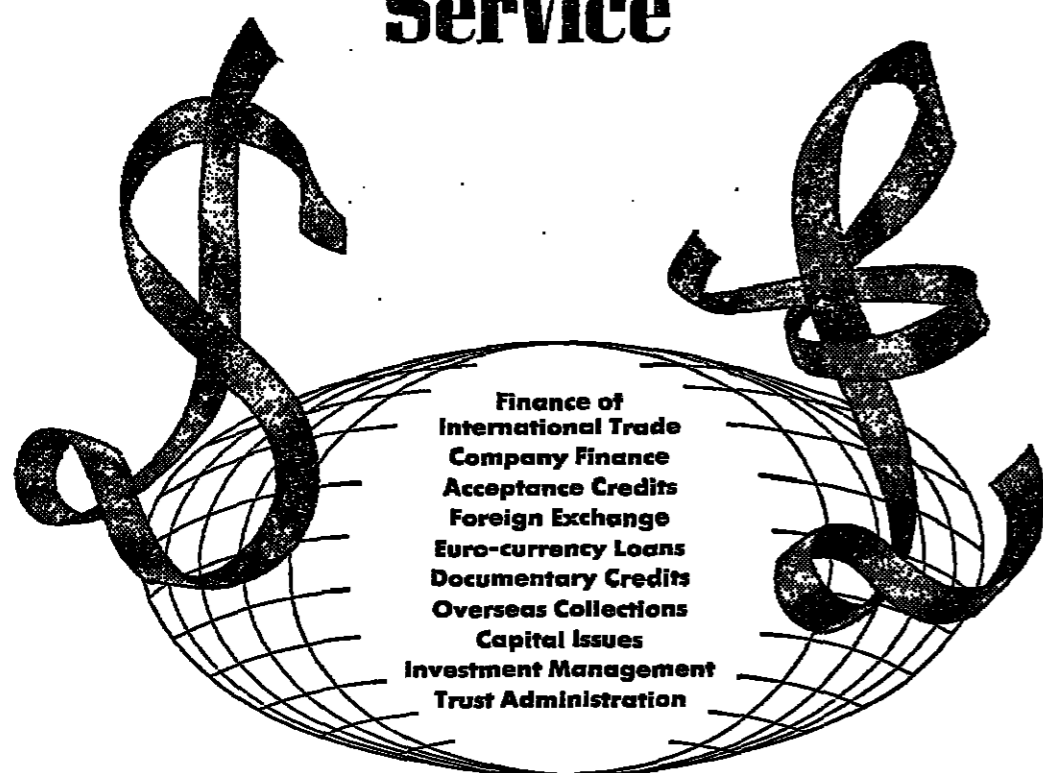
### Import bill

There are always special factors, and the special factor which has caused big trouble this year is the way in which the U.K. has been having to devote many more real resources than

expected to offset the huge increase in its import bill. It has been like running up the "down" escalator in an underground station. The relevance of the situation is that the balance of payments has to be viewed as the relationship between the total receipts and total expenditure of an economy, and in present circumstances the balance seems to have got out of hand.

Even apart from costs and prices, therefore, a key question is whether the restraints on domestic demand are sufficient to allow the balance of overseas payments to improve. On prices specifically, even the National Institute has warned that any relaxation of prices and incomes controls would be a step nearer to "Latin American rates." The NIESR has argued that wage increases in Phase Three of the anti-inflationary policy must be no greater than 12 plus 4 per cent. of Phase Two. But many would add that such a policy would have to be supplemented by greater fiscal and monetary restraint.

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## U.K. BANKING II

# New monetary experiment approaches a climax

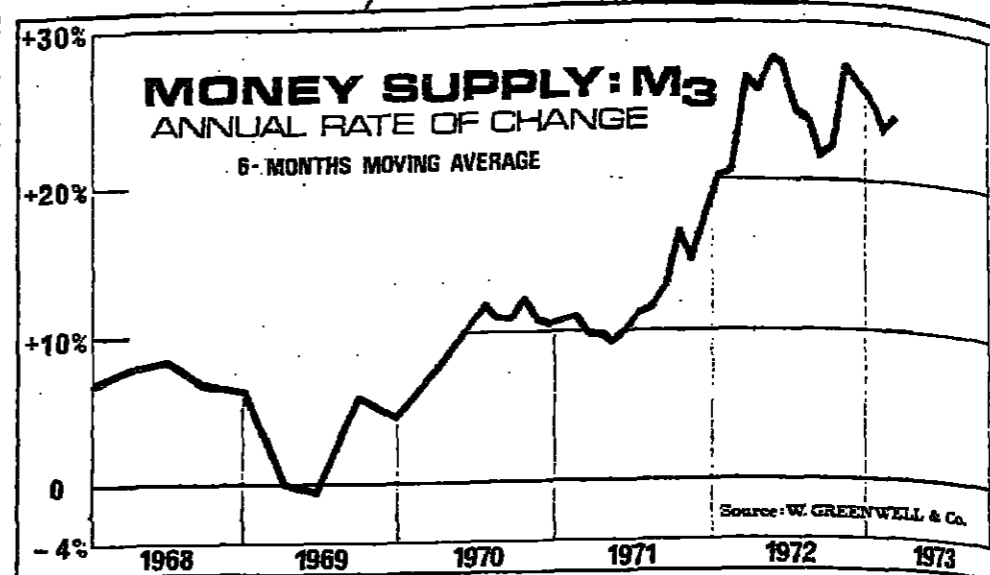
By ROBERT COLLIN

The U.K. authorities have been engaged for the past 18 months on an experiment in the use of monetary policy which now seems to be approaching some kind of climax. There were three principal reasons for the new approach. The first was a revival of interest, here as in the U.S., in the possibility of regulating demand (neo-Keynesian methods having proved less than fully effective) through control of the money supply. The wisdom of attempting to use for the management of short-term demand a weapon which its strongest advocates regard as essentially long-term in its effect tended, in this climate of opinion, to be overlooked.

The second reason was the coincidental introduction of a radically different system of official credit control, one main object of which, following the recommendations of the Prices and Incomes Board and the Monopolies Commission—was to encourage greater competition for business between the clearing banks themselves and between the clearers and other financial institutions. The urge to compete for which the new arrangements gave scope was greatly reinforced by the decision of the clearing banks to publish true profit figures. The third reason was the Government's intention, announced in the 1972 Budget, of aiming for a time at a much faster rate of economic growth than had been customary and of supporting this attempt with a correspondingly faster expansion of the money supply.

### Two definitions

Two problems arose at once. One of definition and the other of interpretation. The Bank at present uses two definitions—M1, which consists of cash and current account bank balances, and M3, which covers deposit balances as well; apart from technical statistical difficulties (the practical result of which may at times be large), it is clear that other definitions are possible and that there is no obvious way of deciding whether M1 or M3 is a more accurate guide when their courses diverge. As for interpretation, it has inevitably been limited past experience on which to base a hypothetical connection between movements in the money supply and movements in real national income.



but because the new experiment has been conducted at a time when external monetary conditions (including the floating of the sterling exchange rate) and domestic conditions (much influenced by banking innovations) were rapidly changing.

The events of the past 18 months amply illustrate this difficulty. At the time of the 1972 Budget, the money supply (as measured by M3) had already been rising abnormally fast for six months and would have risen faster but for brisk sales of gilt-edged stock and National Savings securities to the public. The Chancellor then stated that the faster rate of economic growth at which he was aiming would entail a rise in the money stock high by the standards of previous years but that he would set no numerical target: this would be varied according to circumstances. During the second quarter, in fact, the money supply rose at a still faster rate, even though its growth was moderated to some extent by the run on sterling which led to a rise in Bank Rate—said to be consistent with the object of an "adequate but not excessive" rise in the money supply—and the floating of the pound.

### Interest rates

The rise in Bank Rate led to rises in other interest rates, including rises in the base lending rates of the clearing banks (from 4½ to 6 per cent. in June and again to 7 per cent. soon afterwards) which may themselves have been partly responsible for a markedly slower rate of growth in M3 during the third quarter. Another influence making for the slower growth of bank advances was a directive (provided for under the terms of the new credit control system) instructing the banks to bear in mind the possible demands of industry and to make credit less readily available to property companies and to support purely financial transactions. The basic factor, however, was that the public back for a time from the high sector borrowing requirement was emerging more slowly than expected—thereby creating a fear that it might rise much faster and create an excess of liquidity towards the end of the financial year. Interest rates were continuing to rise, partly as a result of an agreement between EEC finance Ministers to tighten money in the struggle against inflation, and in early November—Bank Rate had been replaced in October by a Minimum Lending Rate determined automatically by the

ing for special distorting factors (mid-year interest movements and the huge temporarily tied up in the subscription of the Savings issue), it is officially estimated to have risen by 2½ per cent. Even before the size of July increase in the money supply became known, however, the Bank of England had been obliged by rising interest abroad and consequent pressure on the floating exchange rate to intervene. Towards the end of July it called for another 1 per cent. of special deposits, the consequent rise in market and Treasury bill took up its Minimum Lending Rate first to 9½ and then to 10 per cent. The base rates of clearing banks similarly first to 10 and then (after hesitation) to 11 per cent. level at which actual rates to industrial borrowers range from 12½ to 15 per cent.

### Radical alterations

Given the discontent felt by the City about the new system of credit control, however, especially in its effect on the gilt-edged market, and the Government's unwillingness to a public expenditure effectively or to impose big taxation, it is not inconceivable that the Government will make more radical alterations in present credit arrangements. Whatever the greater of the financial system which has been so long used, they have not yet proved themselves able to provide a term control of the money supply. Circumstances, however, have not been favourable for special distorting

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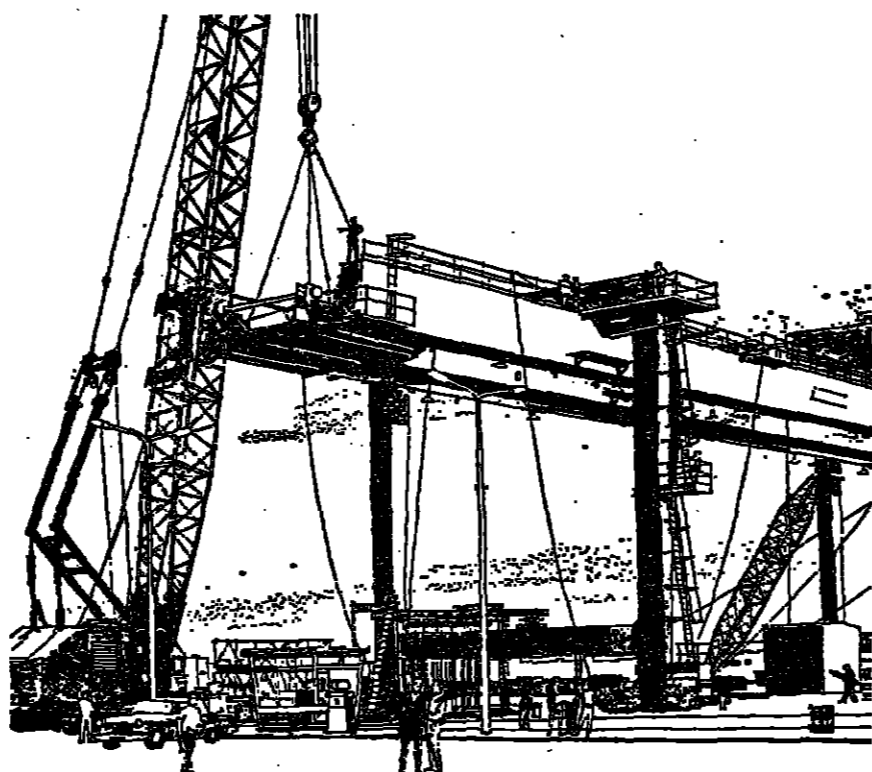
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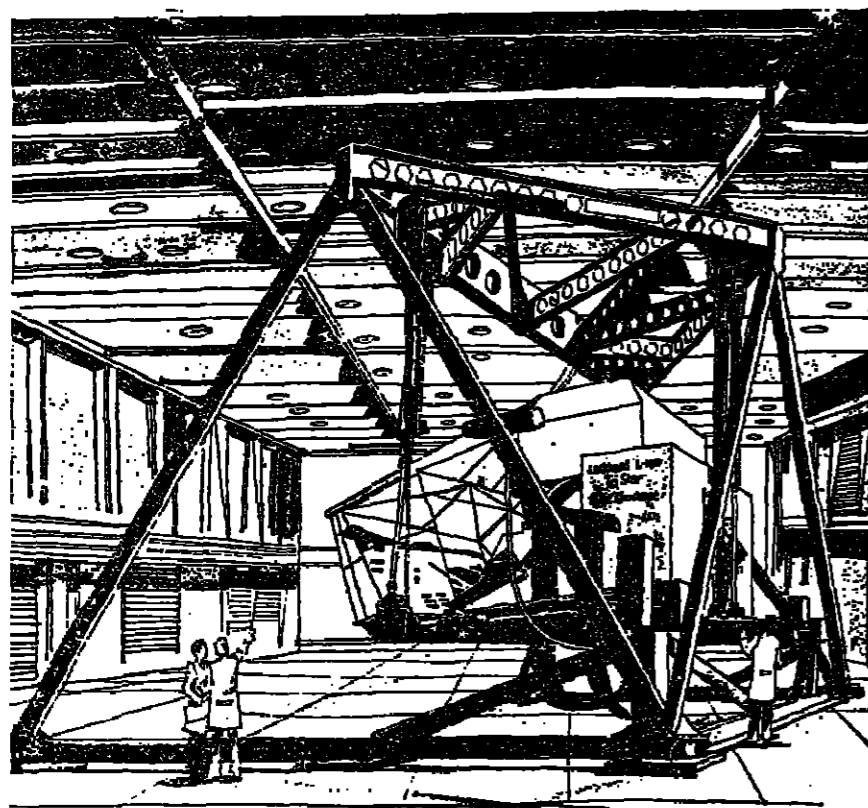


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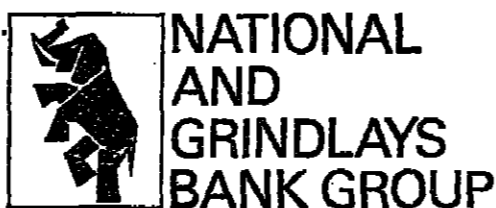
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## Changing shape of banking

By MICHAEL BLANDEN

It is no coincidence that the main themes of the recent growing debate over the future structure and emphasis of the British banking system have been drawn chiefly from Continental examples. Membership of the Common Market has concentrated attention on the marked differences which exist between the traditional character of London's expertise and operations and most major European financial centres. The issues which were already being discussed in the City have been focused in this context, though they concern London's position not only within the European Community but against the broader background of its role as a leading international financial centre on a world scale.

Two concepts have entered into common usage recently—"universal banking" and the "banque d'affaires". Both imply fundamental changes in the traditional methods of operation and entrepreneurial type of the U.K. banks, underlined this year by the publication of the report on London's future financial system in considerable contrast to the much closer involvement with industrial development common in Continental centres. On both counts, the report suggested, the City needed change. And in order to change, through the fundamental reorganisation required over the next few years, it argued, the City should set up more effective channels of communication internally and with authorities, and that the Government should consider creating a temporary "force" to sponsor and guide restructuring of the U.K. banking system.

In fact, neither of these arguments is unfamiliar in the City. The pressures have been recognised for some time which are pushing the structure of banks towards a greater emphasis on size and comprehensive services, and a good deal has already been done, particularly since the introduction of Competition in Credit Control two years ago. Continued on next page

## U.K. BANKING III

## Problems for the City

By MARY CAMPBELL

During the last year, the future of the City as the world's leading international financial centre has appeared increasingly under threat. Costs in terms of rents and staff continued to escalate while, with a number of new foreign banks opening up and none closing down, competition became even harder.

The returns on traditional business declined: the Eurobond market as a source of fees has been virtually shut down since February, and the spreads on medium term lending — and in some cases even the management fees — have been pared. Other cities, in particular Singapore, have been vigorously promoted as international financial centres in their own right. Taxation on foreign banks' branch operations here has increased in the last Budget, by 25 per cent. at a time when the U.S. government has announced that it controls on capital outflows

## Minimum spreads

The cleverer of the banks at least have found ways of getting round a number of these problems. Most of those who were affected by the debacle on the Eurobond market have diversified into other areas, while, in the case of others, business was already wide-ranging enough to take in this problem. Some banks have got out of the medium term lending rat race — or have set themselves up to take advantage of the new sources of deposits than the London interbank market. These banks too have built up other areas of operations —

leasing is one favourite, ordinary sterling wholesale banking or consumer credit business is another (now that the foreign banks are free to compete with the British banks on equal terms).

As for the moves to promote other centres, the first point is that the Eurodollar market is certainly big enough for almost everyone, and the second that this development has in many cases been spear-headed by British firms which doubtless draw fat profits from setting up a re-examination by the head offices of foreign banks represented in London as to their policy of transacting discretionary business here. Other U.S. bankers go further: they say that a significant amount of their business will be moved elsewhere if the taxation costs do work out so high — though they do not say how much or where to. At present, the future policy of the U.S. banks — by far the most important group affected — hangs on the outcome of the current double taxation negotiations between Britain and the U.S.

recent years, the extent of the decline as a result of these factors is not too significant.

The other problems are not so easily passed over. Mr. Daniel Davison, then head of Morgan Guaranty's London branch and now back with the bank in New York, had this to say about the taxation problem earlier this year: "As matters now stand at all on the international scene if any substantial part of the proposed legislation were enacted."

It is still not yet clear whether the U.S. Interest Equalisation Tax (IET) and the other controls on exports of capital will in fact be removed. The latest estimate of the position indicates that they will: in an article in the September issue of *EuroMoney*, Mr. Arthur Urciuoli of Merrill Lynch notes: "the U.S. Administration 'party line' is that Treasury Secretary Shultz's promised repeal of U.S. capital controls by the end of 1974 will be lived up to. Interestingly, many middle-level U.S. Government officials also express their belief that the foreign direct investment programme will in fact end next year, and with it the Voluntary Foreign Credit Restraint Programme and Interest Equalisation Tax."

The effects of EEC harmonisation of banking legislation is a long term threat only: it is likely to be some years before the current proposals have passed through all the relevant bureaucratic and political channels in Brussels. However, there is no doubt that the present proposals are very alien to the current situation in Britain — not so much because banks would want to carry on their business differently (though one or two provisions, such as the requirement for branches to be capitalised — do run counter to current British practice) as because they are based on the assumption of

## Lower costs

Mr. Urciuoli goes on to comment that "if the IET and/or the VFCR are dropped, or even significantly eased, the re-opening of the U.S. capital market as a source of funds to be used outside the U.S. will be most significant." Few would disagree with this — the costs of borrowing capital funds are lower in New York than on the

Continued on next page

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## Changing shape

variations in the City as the big clearing banks have increasingly read their wings. It is much clearer, however, that it will be possible to arrive at any-1980s to extend their services like a universal blueprint in the future development of the City, or even at any general agreement among its various members on the form it should take.

Developments this year have undoubtedly represented an acceleration of the process of change, encouraged by the Bank of England. The Bank's decision from the beginning of this

year to remove the former staples to takeovers of the clearing Houses — the elite merchant banks — by clearing banks cleared the way for the reformation of Midland Bank to full control of its associate Intagu Trust and the subsidiary merchant bank Samuel Slater. It also made possible a rather different move by G. Warburg to link up with the *maison de Paris et des Pays*, one of the leading French *maisons d'affaires*. The City has seen the failure over personality differences of the ambitious attempt to merge Hill Samuel, Slater, Walker to create the biggest of the merchant banks with a strong *banque d'affaires* slant. And it has seen, part of the same pattern of development, the strong efforts made in various ways by clearing banks to develop their foreign and overseas stations.

The phrase "universal bank" drawn particularly from long-term involvement not only in West German example, has in London trial and commercial customers before become in the bank's concentration in the bank's industry, with the emergence of large financial institutions providing a comprehensive range of services to all kinds of customers. Pressures towards development in this Samuel-Slater Walker merger reaction have come from a

variety of sources. They include the need felt by the clearing banks, perhaps since as far back as the mergers of the late 1960s to extend their services in order to capitalise on the substantial competitive advantage they hold in their extensive branch networks and large resources. The process has been accelerated by the impact of Competition and Credit Control in underlining the need to compete for business with all other kinds of financial institution.

The pressures also include the problem, recognised by the merchant as well as the big commercial banks, of meeting the demands of large international and multi-national corporate customers for finance and financial services; and the huge financing requirements of operations such as the development of North Sea oil. The need for command over greater resources has been one of the factors in the development of the consortium concept in international banking, as well as one of the major arguments put forward by Sir Kenneth Keith, chairman of Hill Samuel, in his consistent advocacy of greater size in merchant banking.

The concept of the "banque d'affaires," related in argument to the development of more concentrated banking operations, implies a much closer relationship between the banker and his client than has been customary in Britain, including long-term involvement not only in providing finance for industrial and commercial customers but also probably an interest in their equity and perhaps in contributing to their general financial management. It was the phrase specifically used by Sir Kenneth Keith to describe the aims of the proposed Hill Samuel-Slater Walker merger. The clearing banks themselves

have shown that they may not be averse to taking some of the action in some recent property finance deals, and that they recognise the need to become more directly involved in providing financial advice to customers when they are lending to them on a medium or long-term basis.

The idea has perhaps gained currency particularly against the background of recent criticism of the City for its failure to contribute as much as it might have done to the development of British industry, and its reputed concentration on short-term gain rather than long-term progress in the economy generally. The criticism was summed up from the Continental viewpoint this year by M. Henri Simonet of the EEC Commission when he commented in London that the City "may be brilliant bookmakers but you have not bred marvellous horses."

So far, it would probably be possible to find fairly general agreement in the City. The structure of British banking is changing, is likely to change even faster in the future, and the changes will include particularly further breakdown of the demarcations which have been traditional there. There is, however, much less of a consensus on the ultimate form that change should take, or on the desirability of the financial system being dominated by a small group of giant and comprehensive financial institutions which might ultimately develop on an international scale.

Apart from anything else, this seems to many people to be simply inviting the move towards state control of the big banks already being apparently seriously considered by the Opposition. Moreover, there are doubts whether too much concentration in banking would in any case be good for the further development of the City as a financial centre. There is force in the argument that the diversity of the financial institutions of London has been a major contributory factor to the development of its skills. Many bankers, for example, question how far it will be possible to sustain the innovative and entrepreneurial characteristics typical of a merchant bank in the context of the much bigger and more institutionalised structure of a clearing bank.

Nor is it clear that the closer involvement with industry developed in the very different Continental capital markets is necessarily appropriate to the U.K. system — indeed, it seems unlikely that the sort of influence exerted by, for example, the banks in West Germany would be acceptable in Britain politically or economically.

Considerable reservations about the trend towards bigness in banking having been evident, too, in official attitudes so far. Under Lord O'Brien, the Bank of England gave support to the breakdown of demarcations in the City and the development of clearing banks, but by the changes in its rules and by recognising the trend towards universal banking. It also, however, made it clear that it would do all it could to prevent the special character of the merchant banks from being swallowed up in monolithic banking organisations. And Lord O'Brien expressed clearly his view that substantial involvement in equity investment by the clearing banks would be unwelcome.

His successor as Governor, Mr. Gordon Richardson, is therefore likely to preside over a period of rapid and radical change in the City, of which recent developments are only the beginning. It is unlikely, however, that any single formula will emerge as the answer to all the issues.

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## U.K. BANKING IV

# Competition and control

By ROBIN PRINGLE, Editor, The Banker

Since "Competition and Credit Control" was introduced two years ago, to general applause, it has become one of the most unpopular expressions in British financial affairs. The new approach to monetary policy, and the new techniques adopted then have recently been held responsible for events as diverse as the mortgage crisis, the big losses by discount houses this summer, spiralling interest rates generally, and last year's massive gain in bank profits.

There are increasing calls for a "modification" or abandonment of the monetary policy usually identified with "CCC." This would imply the use, as in the 1960s, of directives applied to the banking system—either to control the interest rates they allow on deposits, or to control the distribution of their advances, or both. It would not be surprising if the authorities were to comply with such requests: they have not had much joy in operating the new policy either. But such controls would really be ineffective in achieving their aims, would certainly damage the financial system, and would represent a heavy setback for those who had campaigned over more than 10 years, from 1960 to 1970, for a reform of monetary policy.

### Escape clauses

There were escape clauses in "CCC" anticipating a situation where banks were competing with building societies and possibly attracting funds from them; and the Bank of England reserved the right to issue directives to banks on the distribution of their lending. But what is at stake now is much more. It is whether the attempt to rely on market forces for the general control of credit will succeed.

The basic aim behind "CCC," which had been described in the Bank's document published in May 1971 and put into practice in modified form that autumn, was twofold: to improve the efficiency of monetary policy and the competitiveness of the banking system. The techniques of monetary policy employed previously suffered from widely-recognised failings. These techniques took the form mainly of direct official intervention in the extension of bank advances.

During the second half of the 1950s and in the 1960s these "requests" became gradually more detailed, both in terms of the borrowers which were to be given high or low priority by banks, and in terms of the over-allowance, those who wanted to borrow usually found a means of doing so, despite the controls. The controls themselves distorted the financial structure and muffled the competitive spirit in the banking system.

True, the liquidity ratio applied to the clearing banks throughout this period in theory gave the authorities a fulcrum on which to squeeze the banks' credit-creating capacity. By selling gilt-edged stocks in sufficient quantities to non-bank holders, they could probably then have put pressure on bank liquid assets and thus restrained them from extending further credit to the private sector. However, the definition of the banks' liquid assets was such that they could to some extent "manufacture" assets. Also, for much of the period their investment portfolios were ample, providing a comfortable cushion against reserve pressure. Finally, the authorities never really tried to exert a conventional squeeze through orthodox methods (even when supplemented by special deposits) because they thought it was impossible to sell gilt-edged stock in sufficient quantities without pushing up interest rates to levels higher than they wanted or without "demoralising" the gilt-edged market.

Ironically, the most effective use of monetary policy throughout this period was in 1969-70, just before the demise of the old monetary policy. During that spell interest rates were allowed to rise steeply, monetary expansion was savagely cut and effective demand in the economy reduced.

In general, however, the attempt to control bank lending, by direct intervention, combined with the desire to keep interest rates down meant that bank deposits and the money

supply were often rising rapidly just when monetary policy was supposed to be restrictive. Moreover, those who wanted to borrow usually found a means of doing so, despite the controls. The controls themselves distorted the financial structure and muffled the competitive spirit in the banking system.

### Asset ratio

The new reserve asset ratio applied uniformly across the banking system (with a modified ratio applicable to finance houses) from September 1971 combined with the authorities' expressed determination to use the ratio, supplemented by calls for special deposits, as the fulcrum of credit control, was therefore acclaimed by nearly all observers. The simultaneous abandonment of the clearing banks' interest rate "cartel" under which they had paid only one, sub-market, rate on "time" deposits — that for nominally seven-day money, fixed at 2 per cent below the current level of Bank rate — was also regarded as heralding an age of greater bank competition.

From the viewpoint of credit control, the vital ingredient in the new policy mix was the authorities' desire to control bank deposits by market mechanisms (basically by operations in the gilt-edged market), implying a readiness to allow interest rates to rise to a level necessary to achieve that.

The Bank's announcement in 1971 of a "partial" withdrawal from the gilt-edged market was part of this policy.

During the 22 months between September 1971 and July 1973, the money supply (M3) increased by 54 per cent. Even after every allowance has been made for factors that exaggerated the true rate of increase, such as the attraction by banks of balances previously held with other institutions, this

was far more than the authorities wished to see. The reason for it was that throughout 1972 the authorities wished to restrain the rise in interest rates, for fear of harming any recovery in investment. The priority given to interest rates meant that control was lost over money. Yet the huge resulting increase in the money supply, together with the expansion in the economy in part induced by it, the associated payments deficit and falling exchange rate have in the last two months led to an unprecedented rise in rates. The rise was all the greater through being delayed. Thus the unpopular developments commonly attributed to Competition and Credit Control are really attributable to the abandonment of the principles of that policy. The sharp rise in rates, the troubles of the building societies and discount houses and the big gains in bank profits can all be explained by much of this competitive reference to the authorities could wither away.



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## City

Euromarkets, and larger amounts can be raised at longer maturities. In other words, a lot of international dollar business which is currently arranged predominantly in London would be arranged in New York. In fact, however, it is unlikely that even if all of these measures were to come to fruition, the foreign banks will simply up sticks and move elsewhere. Given the development of the Eurodollar market in the last decade and of London's unrivalled sub-structure, the re-opening of New York is not going to take the world back to the pre-1964 days. Similarly, the position vis-à-vis other European countries. And Europe is too big an area for it to be neglected entirely by the non-EEC banks. (Their only possible alternative would be to centre their European operations in Switzerland—but this would only be possible in the unlikely event of the Swiss authorities completely reversing their present policies towards foreign banks).

Whatever happens then, London's position as the main entrepôt centre in Europe is assured — and indeed harmonisation, if combined with intra-EEC lifting of capital controls, etc.—would promote this position rather than the other way round. It is significant that the emergence of the German banks on to the international scene in the last couple of years has meant that they have had to set up branches in London rather than that London has lost a lot of business to Frankfurt. The same is true of the Japanese, and even the Arab banks (though for historical reasons these have a preference for Paris). Equally, it is significant that even at this late stage at least one more U.S. bank is planning to open a branch in London—despite the projected removal of IET and so on.

### London's supremacy

What is really under threat is London's supremacy in the world as a whole. During the last couple of years it has become the apparently inevitable organisation ground for lending to Africa and Latin America, quite apart from lending to the U.S. corporations themselves.

Here, the particular problems discussed above have to be seen in the context of the development of the international capital markets, which has already taken place. This is less a matter of the development of rival centres as of the sophistication of international communications. A loan to Zaïre, for example, already involves international bankers in travelling there. Once it is agreed with

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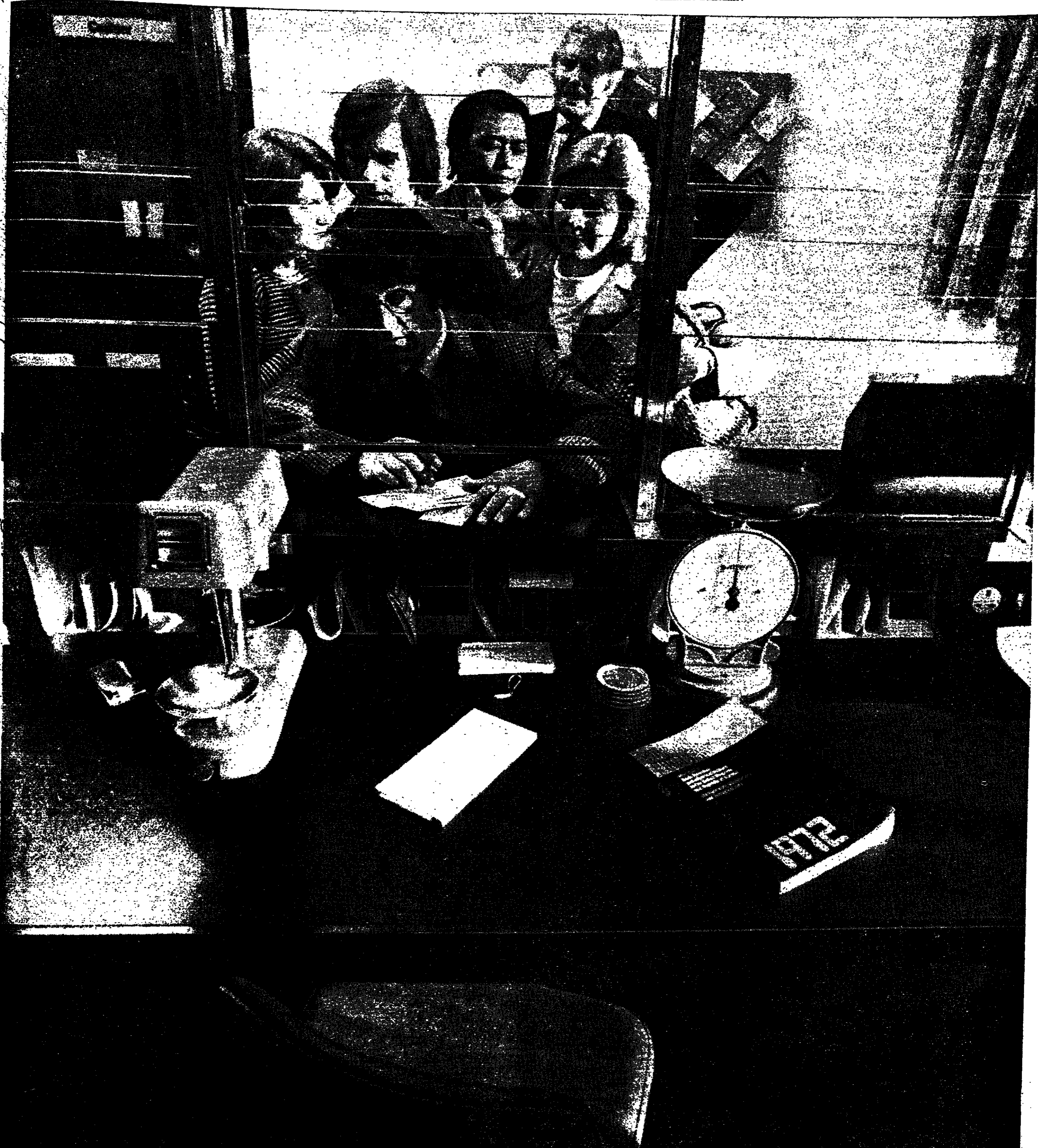
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## U.K. BANKING VII

## Bank lending levels continue upwards

By MICHAEL BLANDEN

The contrast between the new and the old systems of credit control in the U.K. have been highlighted by the experience of the past year. Interest rates have soared to record levels against the background of strong official action to restrain the inflationary growth of the money supply. Yet the sharp rise in the cost of money has not been accompanied by any squeeze on bank lending. With the exception of last year's "qualitative" guidance to the banks to direct lending away from speculative and property activities, the banking system has retained the freedom to lend which it has enjoyed since the policy of Competition and Credit Control was instituted in the autumn of 1971. There has, it is true, been talk recently of the possible need for at least a partial return to more direct controls over bank lending, but over the past year there has been a continuation of the substantial upsurge in bank advances accompanied by a large increase in the resources of the banking system.

## Big customers

The main source of pressure on the banks to keep their lending rates in line with the rest of the market has been the openings which can arise from their big industrial customers to go in for profitable arbitrage—operations—borrowing on overdraft at relatively cheap rates and lending in the money markets—or are simply to switch their borrowing from other sources to the banks when the overdraft is less expensive. The sophistication of the up for the neglect of the company treasurer in making best use of the resources of his command has produced a situation where, though bank lending rates are no longer directly related to the Bank of England's minimum lending rate to the money market—cessor to Bank Rate—they have not long resisted an upward movement in money market rates. In the early part of this year there was one period when a substantial rise in lending to industrial customers was

quite clearly related to the "merry-go-round," producing a situation where the trends both of lending and of the money supply were obscured by special short-term influences. And during the recent further upward movement in interest rates, there have been signs of a renewal of this situation. In spite of the month-by-month vagaries of the statistics, however, the underlying trend of bank lending has continued to be clearly upwards during the past year. Though the banks have been through several periods of stress, they have been able to maintain their capacity for lending (sometimes with the help of expensive short-term wholesale borrowing operations). Over the year to July, the latest month available in the Bank of England statistics, bank lending to U.K. residents in sterling rose by over 35 per cent. from £13,158m. to £17,852m.

Within the total, the emphasis of lending has remained predominantly on the personal sector and the financial and services groups. The industrial sector, in spite of rapid economic growth, has shown little convincing sign of a renewed expansion in its bank borrowing to finance new investment in capital equipment and stocks. The general trends are illustrated by the quarterly figures for mid-May, the latest breakdown at present available from the Bank of England. Over the year to that date, total advances to U.K. residents showed an increase of £5,156m., or 39 per cent., a rather higher rate of growth than the 32 per cent. recorded in the previous year.

The financial sector—including property companies (one of the low priorities under the official request last year) hire purchase companies and U.K. banks—increased its borrowing by £1,853m., or 78 per cent., nearly maintaining the high growth rate of the previous year. The personal sector has continued to have a fairly high priority for lending among the banks, anxious both to make the most of the seasonal increase in demand for borrowing was exaggerated by the effects of the merry-go-round. The average reserve ratio dropped to 13.6 per cent. in mid-February. The second has been very recently, under the pressure of the further 1 per cent. special deposits call during the first half of August, when there is no doubt that the banks, as interest rates rose to their peak levels, were in some difficulty in maintaining their reserve

assets. Over the year to mid-May, lending to the personal sector showed a substantial increase of £1,121m., or 37 per cent., compared with an increase of nearly 80 per cent. in the previous year. It is the industrial sector which continues to represent the apparent anomaly in a situation of rapid economic recovery. On a number of occasions over the past year the banks have reported that they had detected signs of the long-expected upturn in the demand for loans from manufacturing industry, particularly among the smaller and medium-sized companies. And at one stage early this year it did begin to look as if industry really was taking very much more money from the banks. That, however, was a temporary phenomenon associated with the merry-go-round. Overall, industrial borrowing has continued to lag behind other sectors, with an increase of only £747m., or 17 per cent., in loans to manufacturing industry during the year to mid-May (though this was still much more than the 2 per cent. rise in the previous year).

## Reserve assets

The average reserve ratio of the banks has fairly consistently been held at a level comfortably above the minimum of 12½ per cent., in a period when the banks have experienced a further sharp increase in their resources—with sterling deposits rising by £8,371m. to £36,370m. in the year to mid-July. It jumped as high as 15.7 per cent. last December, with the London clearing banks alone at 16 per cent., as a result of the special influence of a large slice of short-dated gilt-edged stock held by the London clearers qualifying for inclusion in reserve assets.

There have been two main periods when the banks have been under pressure. The first was during the early months of this year, when following the 2 per cent. call to special deposits in December (designed partly to offset the expected boost to reserve assets) the normal seasonal increase in demand for borrowing was exaggerated by the effects of the merry-go-round. The average reserve ratio dropped to 13.6 per cent. in mid-February. The second has been very recently, under the pressure of the further 1 per cent. special deposits call during the first half of August, when there is no doubt that the banks, as interest rates rose to their peak levels, were in some difficulty in maintaining their reserve

The month-by-month fluctuations in the pattern of lending, therefore, have tended to reflect mainly short-term influences, most obviously during the periods of rising interest rates. During the last quarter of 1972, bank lending in sterling to the domestic private sector was rising fairly steadily at between £425m. and £500m. a month on a seasonally-adjusted basis.

In the early months of this year however, as bank base rates rose towards 9½ per cent. in mid-February, following the sharply higher money market rates prompted by the special deposits call, lending was boosted as big bank customers took advantage of the disparity of rates. On a seasonally-adjusted basis, sterling lending to the domestic private sector jumped by £529m. in the month to mid-January and by another £452m. in February. After that, however, the rate of increase slowed down, with the impact of the unwinding of the earlier months showing through in the statistics. In March, the rise in lending was only £290m. and in April the increase fell back to just over £200m.—with the London clearing banks, after adjusting for the inclusion of Forward Trust as a full bank, actually showing a fall in their lending during that period.

More recently, lending has risen more sharply again. In the month to mid-June, the total of sterling lending to the domestic private sector increased by £585m. after seasonal adjustment—though the indications were that there had been no significant change in the underlying trend. The July period brought an exceptionally large jump of £836m. of which a major part was attributed to the debiting of half-yearly commission and interest charges. The interesting question at present is how borrowers, particularly among the banks' customers in manufacturing industry, are likely to respond to the renewed rise in interest rates and the increase in base rates to the record level of 11 per cent. at the clearing banks.

In the past few months, industry has probably been able to hold off from substantial reliance on bank loans partly because its already high liquidity has been temporarily boosted by the changeover to VAT. While there was evidently some revival of arbitrage and switching operations during August, as during the earlier period of rising interest rates, the banks have been expecting a more significant upturn in demand for loans from industry from the autumn onwards.

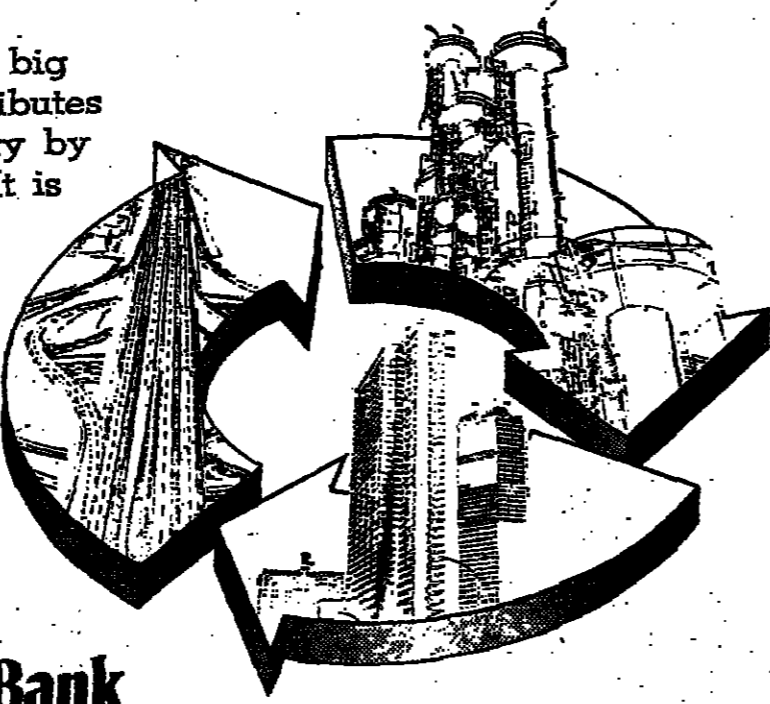
## U.K. BANKING SECTOR: MONTHLY CHANGES—(£m.)

Month ending	Total assets	Lending to public sector			Lending to private sector			Lending to overseas	
		Total	Un-Seasonally adjusted	Central government	Sterling	Seasonally adjusted	Other currencies	Sterling	Other
2 July 19	+2,037	-466	-493	-381	-85	+921	+703	+144	+8
Aug. 16	+543	-100	-128	-96	-4	+104	+282	-3	-8
Sept. 20	+1,294	+220	+158	+189	+31	+183	+280	+80	+9
Oct. 18	+1,256	+96	-99	+64	+32	+324	+426	+47	+54
Nov. 15	+1,111	-95	-60	-26	-69	+398	+455	+102	-25
Dec. 13	+1,328	+106	-49	+107	-1	+373	+494	+160	+13
1 Jan. 17	+1,401	+267	+87	+364	-97	+636	+529	+133	-19
Feb. 21	+1,716	-211	+443	-279	+68	+734	+452	+143	-8
Mar. 21	+1,102	-197	+9	-94	-103	+347	+290	+35	-36
Apr. 18	+650	+284	+68	+204	+80	+98	+207	+39	+38
May 16	+235	-27	+75	+8	-35	+264	+251	-19	-1
June 20	+856	+192	+81	+231	-39	+455	+585	+85	+25
July 13	+3,351	+222	+229	+77	+145	+1,224	+836	+83	+37

Source: Bank of England.

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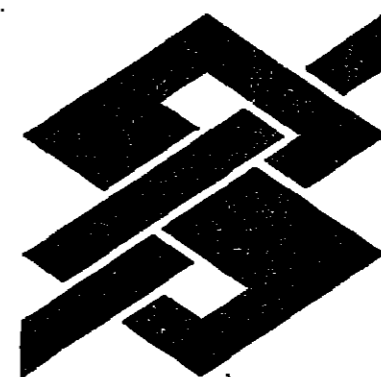
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## U.K. BANKING VIII

## Phase Two underlines policy conflicts

By MICHAEL BLANDEN

The political controversy which has arisen over the exceptional growth of profits among the big banks this year is a reflection of the problems of applying to the financial sector the controls on prices and margins under the Phase Two counter-inflation policy, and of a conflict of two main policy objectives.

The difficulty has been evident ever since the Government's plans for Phase Two were set out in the February Green Paper. This included only the briefest reference to the banking sector, leaving the details of the system to be worked out in further discussions among the authorities and the banks. The results of this operation, against the background of high and rising interest rates, has prompted suggestions that stronger action should be taken to restrain bank profits either in Phase in the past, has contributed to Three or even under the present sharp rises in their profits rules. There are signs that the banks themselves, strongly aware of the embarrassing political and social implications of their booming profits, are anxious to examine ways in which some of the benefit they gain from high interest rates might be passed on.

The problem arises essentially out of the need to exclude interest rates from the controls applied to all other prices. The level of interest rates, always a major instrument of official economic and monetary policy, has assumed even greater importance since the introduction of the policy of "Competition and Credit Control" in the autumn of 1971. The workings of this policy have been seen in dramatic form this year in the context of the need both to limit the fall in the value of the pound and to restrain domestic monetary expansion. The "en-dowment element" in bank profits, though less significant than bank profits in the past, has contributed to Three or even under the present sharp rises in their profits rules. There are signs that the banks themselves, strongly

rest of the year if interest rates remain at recent levels. The controls over the banks worked out in the discussions between them and the Treasury earlier this year bring them under the Phase Two rules, as was laid out in the reminder sent out to them at the end of the July and subsequently published. In effect, they divide the income of the banking sector into two parts; the fee and commission income of the banks is subject to the normal controls applied to all prices under Phase Two, while the interest income, though exempted from price controls, is subject to a parallel restraint on the profit margins which the banks may earn, related to the overall level of their resources.

On the non-interest side, the big four banks (Barclays, Lloyds, Midland and Westminster) are required to pre-notify increases in charges to the Price Commission. They and all banks and finance

## Interest charges

The interest charges of the banks and finance houses, as the Commission's notice pointed out, "are not subject to control under the Price Code nor are they subject to the reporting requirements of the Information Order." The special arrangements, however, provide for the Commission to "receive and to give preliminary examination (on behalf of the Treasury) to returns on reference levels and the periodic reports from the enterprises concerned on their net profit margins on interest earning business."

The results of the Commission's examination are being passed on to the Treasury, which has the responsibility for taking any necessary action to restrict bank profit margins on interest income. If their margins were exceeded, it has been indicated, action could include cutting or eliminating the interest which is paid on the special deposits with the Bank of England.

This would be a potentially powerful instrument. Following the further recent call of special deposits, they now total over £1,000m. from the banking sector as a whole. Interest is paid on these at roughly speaking, the Treasury bill rate, which has recently reached levels not far short of 11 per cent. The big four banks, however, have been confident that, in spite of profit increases ranging between 75 and 96 per cent in the first half of the year, they had, nevertheless, not exceeded the profit margin limits on interest

income under the rules as they had understood them. One of the main reasons for this has been the change in the character of their business. Like other businesses, they have been able to set the reference levels for profit margins in the earlier part of the relevant period. At that time, the element of interest-free current account money in their resources was relatively more important and margins overall higher; the growth of whole-sale business since then, where margins on funds bought at the going rate in the open market are much lower, has substantially reduced the impact of the endowment effect.

In partial defence of their large profits, moreover, the banks have pointed out that a substantial extent of their results have reflected the considerable growth of their resources under the free competition in banking brought in with the new credit control regime. The corollary of this is that a considerable proportion of the increased profits are needed to increase the banks' own reserves in line with their larger deposit resources. Nevertheless, they are well aware of the public impact made by their profits—underlined by a number of comments in Parliament and elsewhere. They are seen to have gained substantially from charging record rates to their borrowers, and have been the instrument through which the Government's monetary policy has taken effect on other sectors of the economy including particularly the building societies. And it seems clear that at recent interest rate levels the banks will be over their margin limits during the latter part of the year.

Some moves have been made by the banks to reduce the effect of high lending rates, and more are expected. One has been a cut in the spread between their overdraft rates and the rates they pay on deposit accounts.

This was led by Barclays, when it put its base rate up by two points to 10 per cent in early August and its deposit rate up by a full 3 per cent to 9½ per cent, though reduced again when base rates moved up to 11 per cent and all the big four banks went to a 9½ per cent deposit rate. Another has been the effective reductions in the charges to personal current account customers introduced by four of the five London Clearing banks—with National Westminster planning further revisions to the structure of both its charges and interest rates.

Their room for manoeuvre in "voluntary" restraint, the banks argue, is limited. They are unable, of course, to pay more to their employees. Cutting charges, except as a temporary expedient, is limited by the overall policy of charging the true cost of a service to customers. And reducing margins by paying more for deposit accounts has already run up against the problem of enhancing the competition for funds with the building societies.

Tougher official action, though, remains a possibility. There has been some feeling that even under the rules laid down for Phase Two the Treasury might step in. The situation was surrounded by a good deal of uncertainty, largely as a result of the decision by the hard-pressed Price Commission not to carry out its original plan of providing special guidelines for the banks but to offer them only the general guidance given to all companies submitting returns.

In relation to the special circumstances of the banking sector, and the rules on interest income, there remained a number of important grey areas—the division of overheads between different types of business, for example, the treatment of subsidiary companies

and other issues of definition. It ment not only for reducing the banks' profits by removing interest paid, but as a point of guiding the use of members' resources by imposing a ceiling on the interest rate on special deposits and using the proceeds to subsidise the building societies. Within the same structure of controls over the banks, adjusting the basic criteria—by splitting what has been agreed with the Treasury deposits and using the proceeds to subsidise the building societies. Within the same structure of controls over the banks, adjusting the basic criteria—by splitting what has been agreed with the Treasury deposits and using the proceeds to subsidise the building societies. Within the same structure of controls over the banks, adjusting the basic criteria—by splitting what has been agreed with the Treasury deposits and using the proceeds to subsidise the building societies.

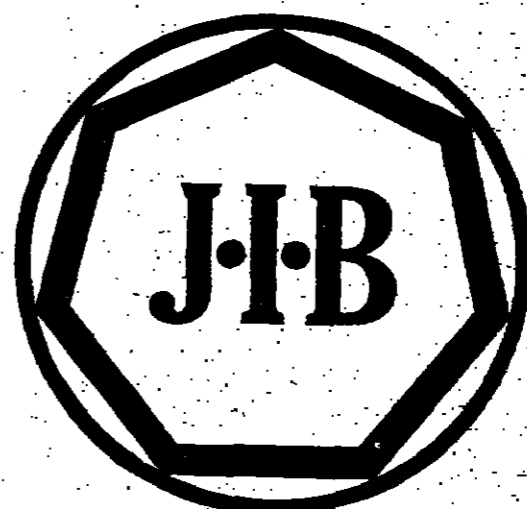
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## Money shops gain ground

By JAY PALMER

It would hardly be surprising if the rash of money shops now spreading throughout Britain's high streets and shopping precincts was accused of producing at least some degree of paranoia in the boardrooms of the big clearing banks. After all the new shops are opening in direct competition with the clearers' branches and, what ever their original intentions may have been, all the signs indicate that, even if they are not actually capturing bank trade, they are certainly pulling in business that might otherwise have gone to the traditional suppliers of money.

It is not even as if the intruders' apparent, if sometimes disputed, success can be attributed to anything quite so simple as the provision of new services. It is a matter of record that most of the existing money shop chains offer the public nothing more than the complete range of normal banking services. The problem is much more tricky than that and strikes deep at the roots of traditional banking practices in that the money shop concept is basically that of combining existing retail banking with (American style) high pressure salesmanship. In fact, it all boils down to little more than a marketing drive.

And what is worst of all from the banks' point of view, it looks as if a significant slice of population is willing to pay the higher money shop charges (up to 50 per cent more) if sold in the right way for just the same services that the banks are offering.

But let us go back to the origins of the money shop phenomenon. The first one, as such, in Britain was opened in the summer of 1970 by the First National City Bank of New York (Citibank). Since then that group has expanded its chain of "moneyshops" to some 25 branches while the outlets opened by United Dominions Trust, Western Credit, the First National Bank of Boston and Bowmaker bring the total in the U.K. to over 50.

## Without accounts

All these groups planned their expansion into retail banking on just about the same theories. Undoubtedly most important was the feeling that there existed an untapped potential market for retail banking within the 55 per cent of so of the adult population still without bank accounts. The money shops are a success but idea was to penetrate this that this success is still impos-

sible to define—none of the money shop chains have yet released any figures shedding any light on either the start-up costs, running-in periods or eventual profitability of the oldest outlets.

All the same there are some very strong hints as to how things are going. First, of course, we have the Opinion Continued on next page

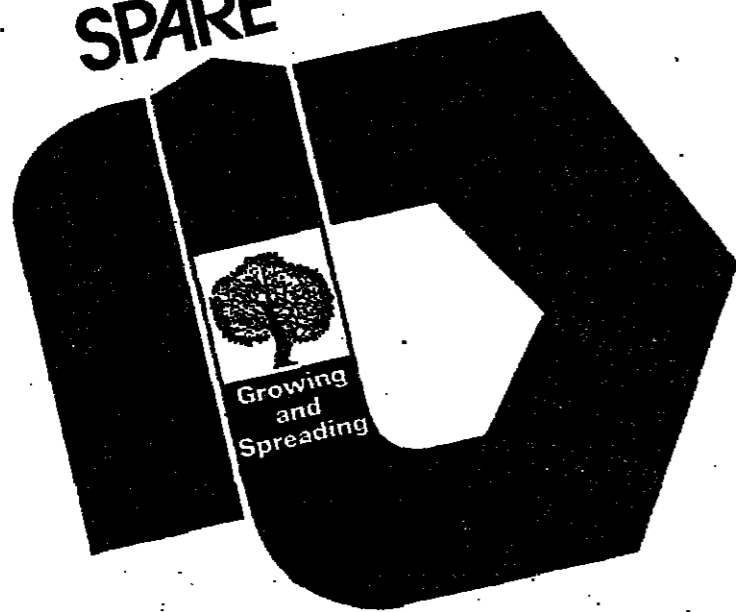
## Losing business

So in the circumstances it is easy to see why everyone was just a little surprised and perturbed when an Opinion Research Centre survey was published late last year showing that the big clearing banks—and, to be fair, the finance houses—were actually losing business to the money shops. Although the clearers were quick to deny this point (although a few admitted that they might, just might, be capturing some business that might otherwise have gone to the banks), it did tie up the experiences of both UDT and Citibank that well over half of their impulse visitors and over 40 per cent of their eventual customers have existing (if dormant) bank accounts.

In retaliation to this new threat, the banks were quick to make a big thing of the fact that the money shops' only claim to originality lay in their emphasis on a modern image and salesmanship. It was even at that time still generally agreed in banking circles that the substantially higher charges levied by the money shops for normal banking services must

doom them to failure. The trouble from the banks' point of view is that this failure seems to be becoming a more distant prospect virtually every day. Of course, it is all very well saying that few can still really doubt that the money shops are a success but idea was to penetrate this that this success is still impos-

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# Banks move to reform system of charges

By BILL COCHRANE

This year has seen some basic reforms in the way clearing banks charge their customers. The fact that a great number of customers are still ignorant about the way charges are calculated, and the consequences of individual banks, perhaps a hangover from the old days—when the Prices and Incomes Board commented in the absence of a single published tariff in its 1967 report on bank charges.

With Phase Two, and its shortfalls about restraining profit margins in mind, the clearers obviously had to show some signs of competitiveness. Rocketing profits, with a jump in interest rates, and a margin on non-interest bearing current accounts, would otherwise seem to have led them into a difficult trouble.

But now that Williams and Glyn's Bank has announced a re-arranging simplification of its system of charges, meaning a reduction in costs to the benefit of its customers, the London clearing banks are moving in this direction. It is the Lloyd's, standing pat for the moment, but Lloyd's, as a table shows, already had charges which were both cheap and simple.

Among the rest, Barclays led the way by establishing for the first time among the London clearers a standard tariff applicable to all personal accounts; this effectively put in all on what was previously an employee or "group" terms. The new terms allow customers 30 free drawings in each year as long as an average

BANK CHARGES ON PERSONAL ACCOUNTS OVER A PERIOD OF ONE YEAR FIGURES IN BRACKETS GIVE CHARGES BEFORE RECENT CHANGES						
Number of cheques drawn	Average maintained balance	Barclays	Midland	NatWest	Lloyds	Williams & Glyn's
50	£50	£1.50 (£2.75)	£1.50 (£2.25)	£2.50 (£2.75)	£1.50	£1.50
100	£100	Nil (£1.50)	Nil (£2.25)	Nil (£2.50)	Nil	Nil
150	£150	£4.50 (£6.75)	£4.50 (£7.50)	£7.50 (£7.50)	£4.50	£5.50
200	£200	£3.00 (£5.50)	£3.00 (£5.50)	£5.00 (£7.50)	£3.00	£3.00
250	£250	£6.75 (£9.50)	£6.75 (£10.75)	£10.00 (£12.50)	£6.75	£7.00
300	£300	£5.50 (£8.25)	£5.25 (£9.75)	£7.50 (£11.25)	£5.25	£4.50

balance of £100 is maintained. If the average balance drops to between £50 and £100 there is a charge of 75p, which rises to £1.50 if the balance is less than £50 but not overdrawn. Where the drawings are more than 30 in a half-year, a charge of 75p is incurred for each extra drawing; but if the balance is over £100, a notional interest of 2½ per cent is defrayed against these charges.

The Midland Bank basically followed Barclays' lead, its tariff being identical except that a simplification of the notional interest rate allowed was 3 per cent instead of Barclays' 2½ per cent. However, National Westminster Bank decided to reduce its charges by another method. The notional interest rate was increased to 5 per cent per annum on the average current account balance, regardless of whether the amount was over or under £100.

Only one NatWest's notional allowance compares with 2½ per cent just before the year-end, the idea being to bring it more in line with prevailing general interest rates at the time; unfortunately, of course, prevailing interest rates have since gone a lot higher. NatWest still runs a group scheme but for the

ordinary account, as can be seen from the table, charges appear to be more expensive than for the rest of the clearers. In addition, NatWest is the only London clearer to make any charge for credit entries in the account, putting charges at around 10p per entry before any notional allowance. However, NatWest has already promised a wholesale review of its charging system, taking in the structure of interest rates as well. Lloyd's is also likely to review both the structure of its charges and the timing of their payment. Meanwhile, Williams and Glyn's, by producing an exceptionally straightforward tariff of charges, giving its maximum publicity both through direct contact with customers and through newspaper advertising, has probably done its public relations no harm at all.

W and G is by a long way the smallest of the London clearing banks, with some 250,000 personal customers, and generally speaking those customers make more than average use of their accounts. Its new system involves a flat charge of 6p for each automated transfer—automated meaning basically the standing order which lends itself well to a computerised banking system—and a flat 8p for any other entry

on the account. There is a notional interest allowance, and quarterly rather than half-yearly charges, but the lower charge for standing orders is the really significant item. In the past, standing orders were regarded as expensive. But W and G obviously works out the cost of these, via a computer operation, as less than that of other transfers. And it is probably computerisation, along with the big merger movement among the major clearers, which has made it a more simple process to change the system of charges.

Step by step One step at a time, therefore, the banks have come closer and closer towards satisfying the recommendations put forward by the PIB report, with an eye to reforming the banking system as far back as 1967. "Hidden reserves" are a thing of the past, with disclosed profits reflecting more clearly the fluctuations—lately upward, and massive—in banking profitability. Competition, rather than collusion on interest rates is the fashion now; the standard charges tariff, albeit with variations for the individual banks,

is the latest criticism to be met. The question is how much further, and by what means, they will continue on the competitive road, and also, perhaps, what they will do to discourage criticism at second hand—of the borrower who simply takes advantage of the difference between its own—sometimes "blue chip"—borrowing rate and the rate for lending it out in the money market, putting the difference in his corporate pocket and doing nothing for the economy in the process.

It has been said that the banks find it difficult to identify these "liberty-takers." It may be that a different definition of the corporate overdraft limit is required, with an eye on what a company might need, and effectively employ for genuine investment purposes rather than what its assets will secure. Certainly, if the clearing banks are going to broaden their role in serving industry and commerce—and the ambition seems to be there with the moves to establish, or acquire merchant banking arms—then they can hardly use ignorance of the circumstances of their corporate borrowers as an excuse for indiscriminate lending.

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CONTINUED FROM PREVIOUS PAGE

## Money shops

arch Centre survey. In this only attempt to see the turnover, it still is quite an information gap. But, if fairness, those cannot be bad given the charges levied. Secondly, we have sheer way in which the money shop operators set of whom have been in game for over two years—are planning whole hosts of future openings. It gives idea as to exact profitability but, if Citibank and UDT happy enough with their outlets to want to multiply double their number by the end of 1975, who can it their success.

ally, there is perhaps the significant point of all—changing attitude of the clearing banks themselves. They are really two separate entities—first that the clearers are making determined to accelerate their liaison with matching banks on Saturday. Whether true or not, there have reports that the clearers use the threat posed by money shops in their arguments with the National Union of Bank Employees over Saturday openings.

And then there is also the undeniable fact that as of earlier this year, the Midland Bank—through its wholly owned subsidiary Forward Trust—became the first of the clearers to actually go into the money shop game. If the Midland thought the exercise was worth it, it looks as if the clearers are becoming converted.

### Other intruders

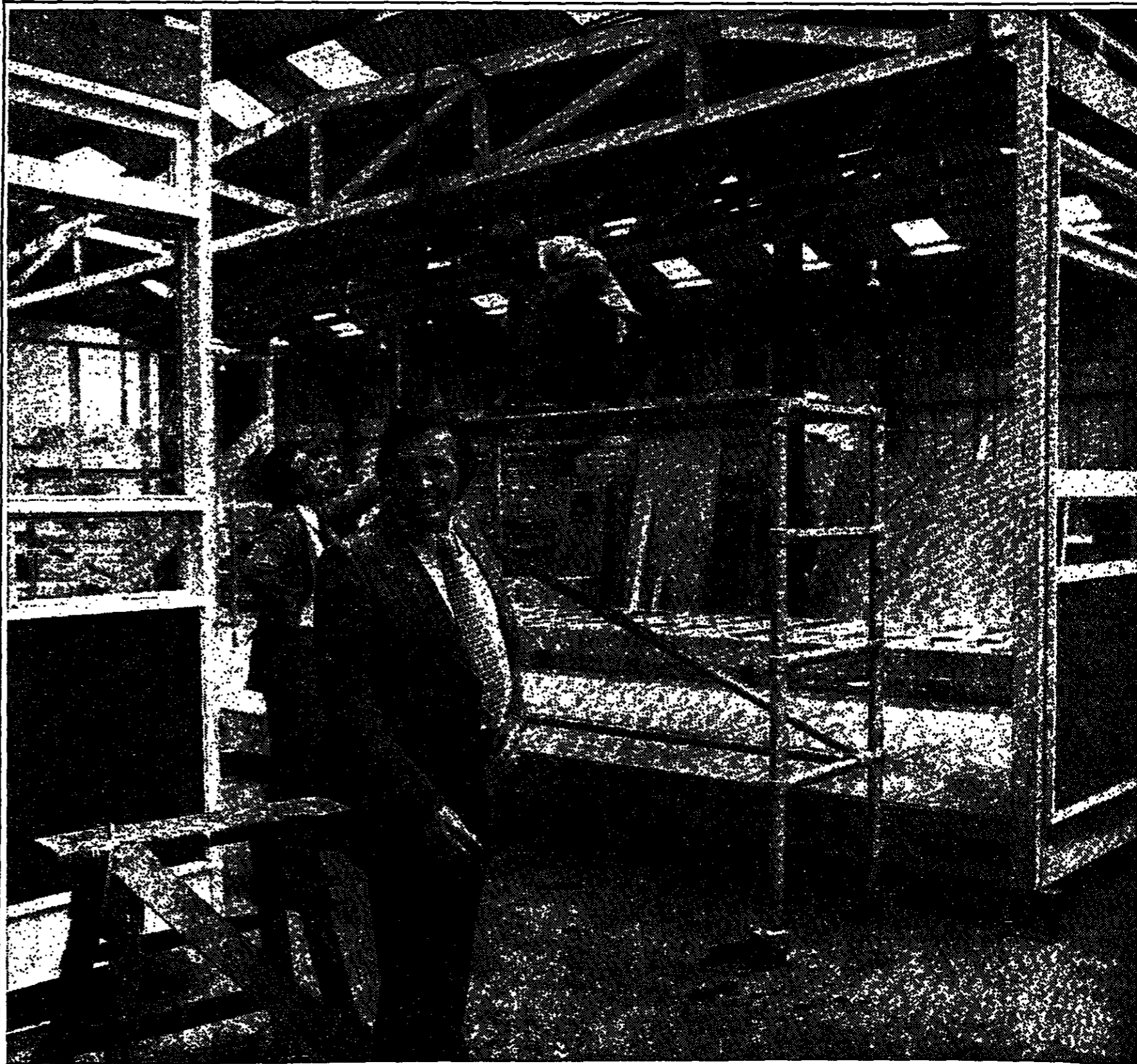
But the banking battle for the retailing sector has not been entirely confined to the money shop scene—even if that particular bridgehead has been the setting of some of the biggest conflicts. As far as the clearing banks are concerned, they are also facing intruders in the form of "in-store" banking. Perhaps the best known of these are the Co-op, which has some 4,000 in-store banks. The Trustee Savings Bank also provides cause for concern to the clearers with its 1,500 offices, slightly less well known, is London and County Securities with over 20 branches.

The aim in this case is to again provide a shop, but specifically within another shop that

will attract customers and promote, indirectly, the need for banking services of both cash and credit provision.

Looking at the overall retailing scene of banking, one has to make it very clear that whatever the publicity given to the banks' competitors, they are all still very small in comparison. But the indications are that the banks are losing ground on all sides for a number of reasons. First, their avowed intention of concentrating on the industrial sector (to the specific exclusion of the personal sector in times of credit shortage). Second, their inherent unwillingness to move away from the traditional and possibly frightening image which many bank users are tending more and more to resent. Finally, because of the unwillingness of their employees' union to let them compete on equal grounds in terms of opening hours.

In view of this the fact that more and more people are, rightly or wrongly, prepared to pay considerably over the banks' odds for more attractive, convenient and friendly service, in the next few years the banks will really have to start looking at the question again.



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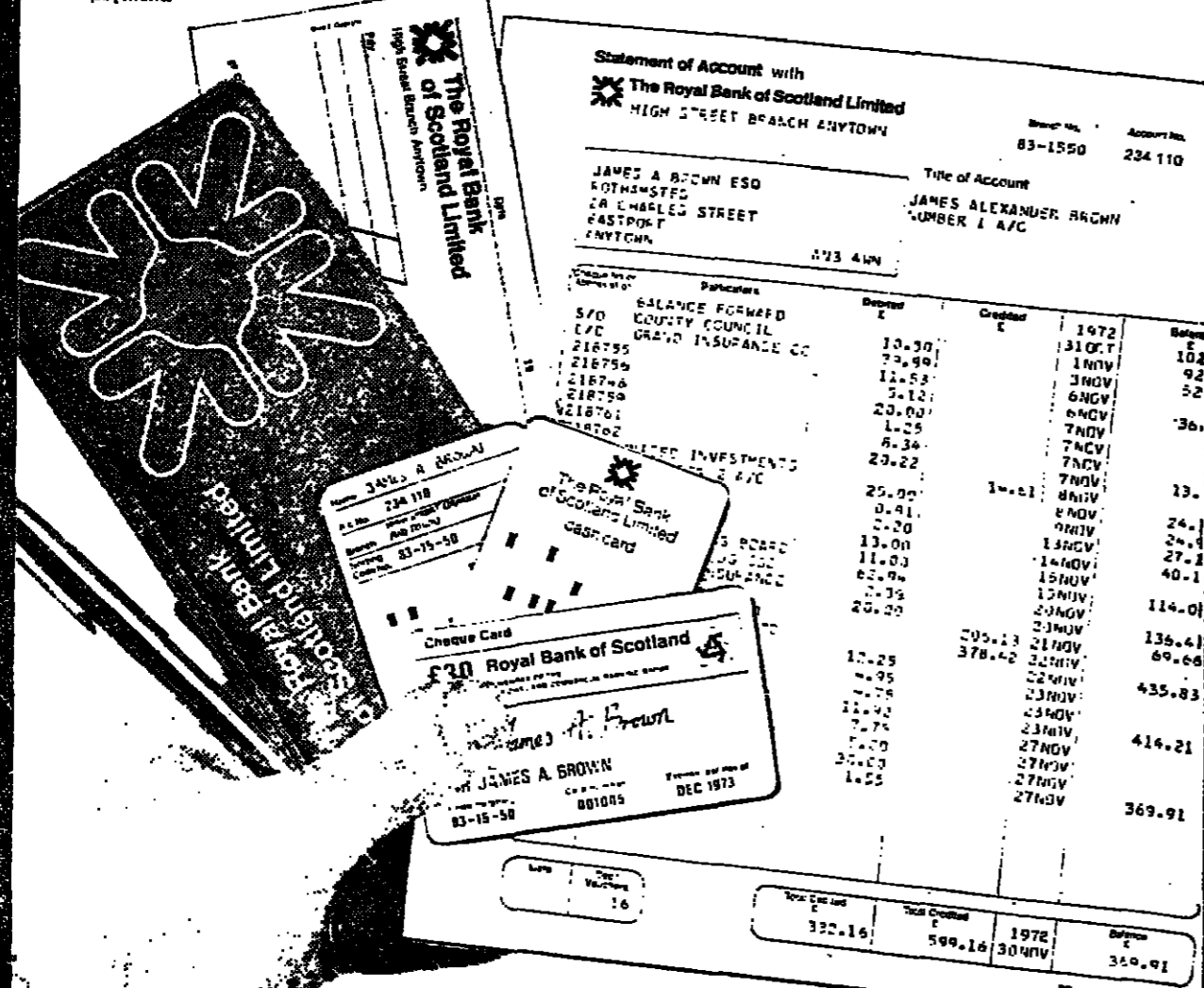
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## U.K. BANKING X

# Need for reform of consumer credit law

By KENNETH GOODING

The Government considers that reform of the law on consumer credit is urgently needed and is expected to implement the necessary legislation next Parliamentary session. It has already indicated the major changes it will make and as a result has generated disappointment, and to some extent hostility, from some organisations operating in the credit arena—particularly some of the finance houses.

A committee headed by the late Lord Crowther 24 years ago produced suggestions for dramatic changes in the consumer credit field and its package involved the repeal of some archaic statutes to make way for the enactment of two new ones. The first was to have been a consumer sale and loan act concerned primarily with the protection of the consumer while the second was to have been a lending and security act to give a new look to the general law relating to security and loan transactions.

### Security register

Central to the Crowther proposals in the lending and security area was the establishment of a register of security interests. But the Government maintains it can find no convincing evidence that, were such a register to be established, it would be sufficiently used to justify its existence.

Much to the disappointment of the finance houses, although the Government has decided to speedily reform the law covering consumer credit, it has decided that the rest of the Crowther recommendations need much more work and thinking before the complex legislation involved can be contemplated.

What the Government intends to do is to repeal the present Hire Purchase Act 1965, the Pawnbroking Acts and the Moneylenders Acts and modify in some degree several other Acts. The fundamental basis of the new Act is that "it will give equal protection to the consumer no matter the form of the agreement into which he enters provided, of course, that it is an agreement for credit—whether in the form of a money loan, a hire purchase agreement, a loan linked to the purchase of goods or a credit sale," declared Lord Limerick, Parliamentary

Under Secretary of State for Trade in one of a number of speeches he has made on the subject.

He added: "Let me illustrate this. At the moment if a consumer enters into a hire purchase transaction there are certain strict requirements about the provision to him of copies of documents he signs. There is no such provision if it is a personal loan transaction unless that loan is granted by a moneylender or by a pawnbroker. Loans by moneylenders and pawnbrokers are governed by strict rules, but ones which are by no means the same as those for a hire purchase agreement."

"If a consumer takes a loan from a moneylender and the terms are harsh, the agreement may be reopened by the Court and rewritten in more equitable terms. But an agreement for the same amount of money taken out with a lender who is not a registered moneylender cannot be so reopened; neither can a hire purchase transaction be written in harsh terms. The objective of the legislation will be to provide this protection right across the Board for all types of transaction."

The Government intends to follow the pattern set by the 1965 Hire Purchase Act (a step envisaged by the Crowther committee) but will extend the rules in this Act right across the spectrum of consumer credit transactions. Imported into it will be the "harsh and unconscionable" provisions similar to those in the Moneylenders Acts.

Two other important additions will be about disclosure of the "true" cost of credit and provision for a statutory rebate of charges in the event of early settlement of a loan or hire purchase transaction, calculated according to an approved formula.

Over and above this general treatment, certain lenders will have additional restrictions or regulation imposed on them if they operate in a particular kind of way. For example, issuers of credit cards will have certain rules applied to them regarding the circulation of such cards—including a ban on unsolicited mass mailing.

Lenders who take security by way of pledge will have rules

laid down as to how that pledge should be taken. Lenders who enter into a business relationship with a seller of the goods will have to bear certain responsibilities for the quality of the goods thus sold.

Said Lord Limerick: "Matters move quickly in the world of consumer credit and it is the intention to make the new legislation as flexible as possible so that it can be amended easily to cover new circumstances."

The Crowther Committee also envisaged the establishment of a Consumer Credit Commissioner to oversee and enforce the law. The Government has not gone along entirely with the list of duties for such a Commissioner which the Crowther Committee suggested but agrees that someone is needed not only to enforce the new law (when it arrives) but also to keep that law up to date by recommending to Ministers when the Act or regulations under it should be changed.

On this subject Lord Limerick has commented: "Once the present outmoded forms have been brought up to date, they must be kept up to date. And we think the Commissioner should look after the interests of both lenders and borrowers, so that the scales are never unbalanced."

The Government also intends to provide a new licensing system which will apply equally to all lenders and which will enable the holder to enter into any form of consumer credit he wishes. The licensing system is "solely to protect the consumer from the unscrupulous" but it should also lead to much more flexibility in the forms of consumer credit offered, and in turn to greater competition, so the Government believes.

And with an eye on the spread of credit reference bureaux, there is to be a licensing system for these operations too. Among the conditions for getting a licence, these agencies would be required for a "modest" fee to disclose to individual information about himself held on the agency's records. The agency would also be required to amend the record where it was shown to be wrong.

Some in the finance houses feel that the Government has

struck the balance in favour of the lender. Its intended legislation, however, are more concerned about failure of the Government to implement the Crowther proposals as a whole.

Perhaps the most serious attack on the Government proposals came in the House of Commons Association for "Credit" when Professor Goodie declared: "It is sufficient to engage in a superficial thinking with structure of credit law, interests of both the lender and the industry require complete modernisation of credit law in order to meet just solutions to consumer problems and to facilitate the working of legitimate transactions."

"The present barrier to efficient competition by distorting the form and content of a security instrument wholly artificial reasons. Proposed legislation, by simplifying the law, will complicate it."

One of the main points put forward by Professor Goodie in support of the idea of the entire Crowther package implementation was that the U.K. is now a member of EEC, which in turn is on the harmonisation of laws affecting the granting of credit. "and we in Britain are the opportunity to influence thinking of the European Commission and to play a part in shaping the legislation the result and become part of domestic law."

### Larger share

Compared with this view is that of Lord Limerick. Government's spokesman maintains the long-term fits to the credit industry, forthcoming legislation "immense" enabling it can compete to do so and to get a larger share of market. "The intention of a legislation will be to sound rules applying leaving no loopholes, reasonable discrimination that the lender is free out-dated restrictions, is innovative and benefit to consumer is at the same given all reasonable protection."

## EEC harmonisation

By A. H. HERMANN

So far, Britain has had most of the banking business while Continental Europe has had more of the elaborate banking rules. Indeed, Britain, up to now, has been the only European country without a banking statute. The EEC harmonisation proposals aim at a redistribution of both the business and the rules. British bankers could not be expected to embrace these objectives with enthusiasm even if the proposed set of rules was more practical and better thought out. On the other hand, British bankers also feel the need to adjust to changes in industry, and if banking rules are to be changed, or new introduced, why not do it in harmony with the Continent, always provided that Brussels accepts that harmonisation is a two-way process.

An EEC Council Directive, adopted in July 1973, now requires all EEC countries to adopt, before 1975, legislative measures to liberalise the establishment of branches by foreign banks and the rendering of financial services across the internal frontiers of the Community. Member states will have to remove not only laws discriminating against foreign banks but also give up administrative practices which have such effect.

### Second directive

The liberalisation of financial services relating to capital movements is limited to the services listed in the directive, but it is intended to add to this list as capital movements are further liberalised. Foreign exchange dealings are not included in the liberalised services because of its link with foreign exchange control in a number of countries.

The second banking directive proposed by the EEC Commission aims at the harmonisation of banking regulations in member States and is proving to be a much more difficult problem. It provides much opportunity for the British "pragmatic and flexible" approach to clash with the Continental habit of precise formulation of requirements and detailed Governmental supervision.

One of the main features of the EEC proposals is the formal licensing of banks which contrasts with the gradual climbing of U.K. institutions from one form of recognition to

another, as permitted by the informal vetting system of the Discount Office of the Bank of England. The categories created by this system were criticised by the Crowther Committee and EEC harmonisation will probably only speed up their revision.

The second important feature of the proposals are elaborate provisions for solvency and liquidity ratios. The rigidity of the provisions may be irksome but differences should not be unworkable.

A much more problematic aspect of the proposals are its reporting procedures. Banks would be required to report to the supervising authorities all loans over £100,000. Further, there are provisions for consultations between national authorities whenever it intends to grant credit across the border. Such practice could result in introduction of a permit for such operations.

Finally the draft provides procedures by which all of non-EEC banks will be supervised to ensure they comply with EEC legislation. Continued on next page



### London

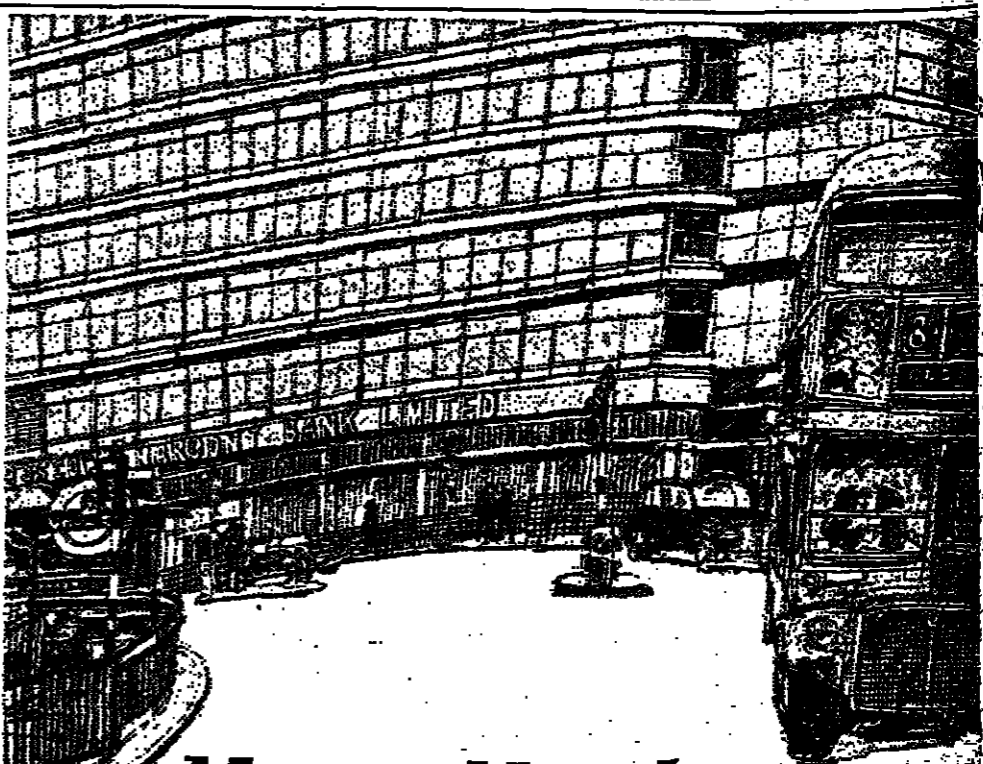
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## U.K. BANKING XI

## Computers in the forefront of current developments

By TED SCHOETERS

Growth in the general use of credit cards and further tightening of an already close grip on the major banks by IBM were the main features of the U.K. banking scene during the past twelve months.

Both developments will be of considerable importance over the next decade and in the immediate future will play a considerable role in automation of the banks at the customer end, as well as in the way IBM plays its cards with its three major banks—Barclays, National Westminster and Lloyds.

Meanwhile, any further worsening in the staff shortage situation in cities and towns around the country can only accelerate the banks' adoption of highly automated cashier positions—the present sparse sprinkling of cash dispensers is only a very small earnest of what is likely to come.

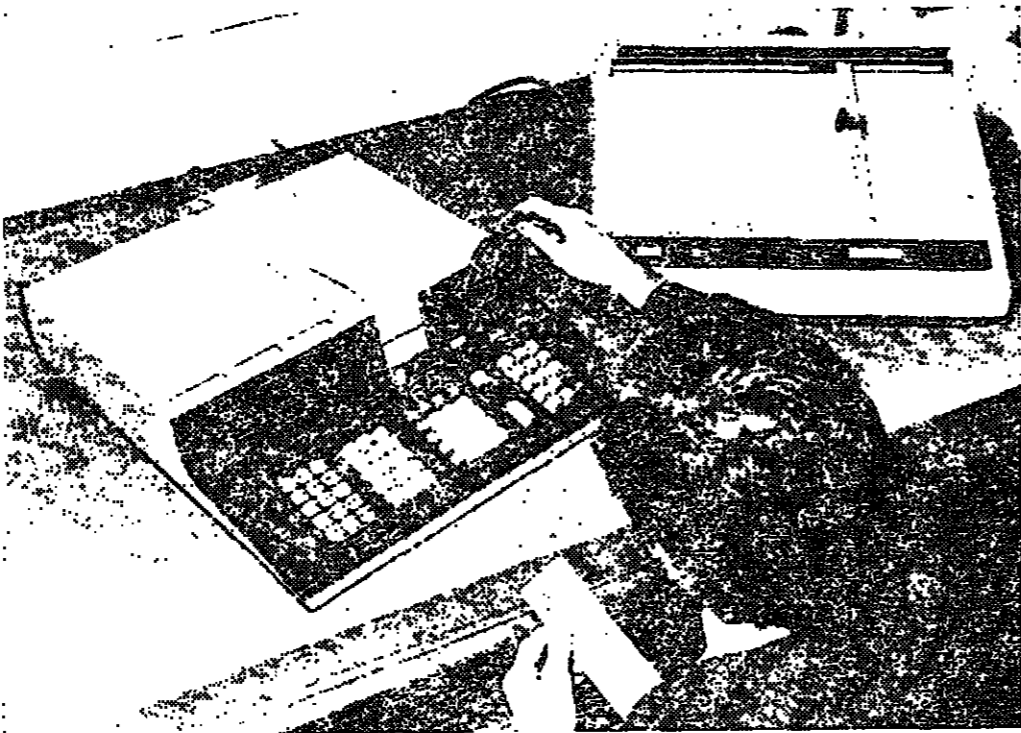
Automatic, computer-controlled cashier's terminals are not new. NCR proudly announced Europe's first all of eight years ago. For more than a year, similar cashier's key-boards linked to a computer on the premises and then by Post Office line to a big central computer have been working in a group of Trustee Savings Banks' branches, equipped as to positions by Olivetti and as to the central processors by ICL.

## Cash dispensers

Now, however, IBM has taken up the challenge of Burroughs—with its stand-alone and new in-house cash dispensers—and of the many small U.S. organisations which have been building dispensers and terminals of various types with that country's problems in view, but the European and other world markets as potential outlets.

The market leader has, with characteristic thoroughness, developed all the equipment a bank branch could possibly want to carry through automation to a very high degree. It will transform customer operations out of all recognition, greatly reduce waiting time, even at peak periods and improve employee productivity while giving each branch manager a large number of local options to suit conditions in his area.

IBM has called the array of equipment its 3600 Finance Communication System, a far cry from the "idiot" terminals of a few years ago. Owing a great deal to the development work the company did with and on behalf of Lloyds, among others, the hub of the equipment is the controller. This is a small computer which has not been cannibalised from another series as was the controller for the first IBM on-line branch terminals. It was developed for the specific purpose of serving as a sort of watchdog and memory for all transactions which do not need information from the central processors at head office, but with ability to store and forward information and queries for the centre when the latter can cope.



A Hewlett-Packard Model 10 programmable calculator and X-Y plotter in use in the Management Accounting Department of Barclays Bank Trust Company.

Looked at in this light, the 3600 does not add to the burden on the central processors of the head office system in peak periods, as do the on-line cash dispensers Lloyds is now installing since they must function on demand.

The controller oversees several important peripherals, the first one of which so far as the customer is concerned is the cashier's terminal. It has a clear gas panel display and a keyboard to gain access to the controller and transact the business in hand. Up to 240 characters of information can be displayed at one time and, if required, the terminal can have a magnetic stripe reader-encoder.

Information to be produced in response to instructions from the counter, or in the back office for administrative use, could be provided from the controller on a document printer which uses a new type of print head in the form of a spinning disc. A document chute will take single or multiple bank forms. A passbook printer caters for TSB and similar organisations and a fast administrative line printer for the needs of the management, particularly where large numbers of copies are required.

Self-service from a cash dispenser can be secured through the use of a card bearing a magnetic stripe. This dispenser has, however, many more functions than the Lloyds model on which it is based in part.

A major feature is flexibility to permit money to be withdrawn from one of several accounts held by an individual customer, as well as ability to answer a series of questions on the accounts and to coded mes-

sages requesting, for instance, a new cheque book.

In "through the wall" installations, this terminal can be made to act as a mini-bank through judicious selection of the appropriate code messages which can be general, or personalised through the operation of a client's code number.

This terminal closely resembles one demonstrated to the major U.K. banks some few months ago by a U.S. company which has had a degree of success in selling to local banks who are facing the problem of expanding in areas where building costs are prohibitively high.

Both would be able to accept suitably encoded credit cards should these eventually become the media for recording the holder's transactions not only with his bank but also with all the shops and services he has to deal with to live.

## Cashless society

The same facility is offered by the new Burroughs dispenser intended for on-the-premises installation in a bank. The important thing is that much of the equipment that would be necessary to cope with a virtually cashless society has already been developed. It remains to be seen just how quickly the clearing banks will respond.

Anything that relieves the increasing burden of cheque handling and its leaping costs would undoubtedly be welcomed by them.

One thorny aspect of the cheque handling procedure has been the number of unreadable rejects from the computer-controlled reader-sorters. It has been tackled for Barclays Bank by an array of equipment designed by Olivetti to cope with the 160,000 or so rejects

by operators to interpret defaced cheques, concentrate the information on tape and can be extended to provide input of rejects to the central processors dealing with bank branch accounting.

Also at Barclays, but in the Trust Company, programmable calculators and graph plotters operating under program control are helping staff to speed assessment of the profitability of the 100 or so branches. Graphs of earnings against expenses can be drawn in seconds as can histograms to show distribution of money between various funds in a portfolio.

Performance of individual shares can be measured graphically against the FT index without more ado than pressing a few keys or inserting a programming card, while gilt-edge and debenture stock calculations become child's play, releasing expert staff for more important jobs.

Hours of drudgery have been eliminated which is important when the value of adequately trained staff is considered.

Use of programmable calculators of this kind, able to do a wealth of financial calculations on demand and absolving staff from having to use the coding necessary to solve problems through a time-shared computer is likely to grow quickly, extending automation in the banks to the back-room boys.

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## EEC harmonisation

solvency requirements and other rules. It appears that the supervising authority of the country where the oldest EEC branch of a non-EEC bank is established would carry the burden of supervising that bank's operations in the entire Community, though the individual branches would operate under authorisations obtained from national authorities of the country where they are established. This is one of the examples how bureaucratic tidiness can be counter-productive.

The sheer complexity and number of provisions proposed in Brussels would under any circumstances go against the grain as far as British bankers are concerned. The intensity of the distaste with which these are received is, however, due to the feeling that these proposals are but a symptom of a fundamental change. British bankers' opposition ranges from diplomatic "beneficial changes in the range of activities and in institutional structures should not be held back by a straight-jacket of over-nice regulations"—Sir Archibald Forbes, chairman of Midland Bank—to blunt: "The supremacy of London as an international banking centre is founded on a freedom from vexatious legislation. . . . It would be a tragedy if this position were radically altered simply to satisfy bureaucratic tidiness"—Lord O'Brien.

Vent for this British opposition was also given in Brussels earlier this year by British Bankers' Association president, Mr. Eric Faulkner. Referring to the draft of the July direc-

tive, he said "it attempts to go too far, too quickly and above all in too detailed a manner."

However, more powerful forces than the supranational civil servants of Brussels craving for bureaucratic tidiness seems to be at work. Banking patterns cannot remain unchanged while the pattern of industry is rapidly changing. To succeed or at least to survive, medium to small-scale industry now requires not only capital but also technological aid and co-ordination on the macro-economic level. There are basically three ways of achieving it: by government control, by cartels and concentrations or by bankers' intervention in the management of industry.

## German model

The European Communities are adverse to dirigism and proclaim an active anti-trust policy: the banks appear therefore to be the chosen instrument of economic planning and co-ordination. This is the German model of economic control and the presence of banks' representatives on the supervisory Boards of companies whom they finance is but part of it.

This model, giving banks a far greater power than they have as mere money-lenders in Britain, brings to life balancing forces—hence the call for workers' participation in management. And it makes it unavoidable for any government worthy of the name to take a much more active interest in banking and to exercise a much more closer supervision over it, both in public interest

and in the interest of individual investors and depositors.

The possibility of acquiring merchant banks, opened to clearing banks in 1971, is just one of the signs that the universal bank is arriving in Britain. On the other side of the fence, merchant bankers are fast adjusting to the continental image of a *banque d'affaires*. The association, still heard occasionally, that merchant banking is what it is because merchant bankers are a special type of people sounds more hollow everytime it is uttered. Merchant banking is becoming an "industry" as other types of banking have done earlier.

Accepting that British banking is undergoing a structural change which will bring in its wake changes in rules and supervision, a strong case can be made for harmonising rules within EEC. The clearing banks have recently strengthened their relationships with their Continental correspondents and merchant banks are increasingly active on the Continent.

As in other areas of "harmonisation" the question is therefore not "whether" but "how." The EEC Treaty does not require unification of laws but only "approximation" and, as in the fields of company law and insurance, it would be unrealistic to believe that this can be achieved by a political decision adopting proposals drafted when the Common Market consisted only of the Six. The political decision is necessary but to make a system of banking rules work it has to be designed for the entire Community.

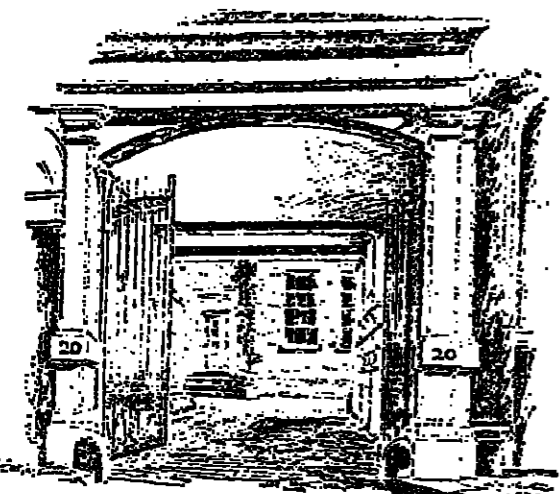
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**U.K. BANKING XII****Intensive development on the international front**

By C. GORDON TETHER

"In view of the ongoing global capital shortage and the growing need for specialised knowledge," said American banking giant Mr. David Rockefeller a short time back, "I expect to see many more bilateral and multilateral ventures as an integral part of the world-wide banking environment in the years ahead."

In doing so, he was providing another manifestation of the spirit of "Go! Go! Go!" that has transformed the world banking scene out of all recognition during the past few years—creating in the process many new problems. Problems, indeed, of such a worrying kind that many bankers are beginning to wonder whether the most urgent need now isn't for a period of consolidation rather than a continuance of the feverish drive to conquer new peaks.

At the moment the picture is very much one of intensive—in fact, phenomenal—development on the international front in the case of almost all sections of the British banking industry. Assisted and encouraged by the tremendous upsurge in the world money supply that the enormous U.S. deficit and the burgeoning Euro-currency markets have joined forces to bring about, home-based banking houses have increased their foreign deposits by £13,000m. or about 50 per cent. during the past year alone. And there has been a correspondingly dramatic rise in overseas lending, much of it concerned with exploiting the demand for investment funds in such comparatively "new" markets as those provided by the less-developed countries.

At the same time, the process of building on this impressive growth and laying the founda-

tions for new moves to turn the recent evolution of the Euro-currency market traffic does carry an increasing danger of a major breakdown that could have serious repercussions for all those participating in it. It is now estimated to be handling total business of the staggering order of \$200,000m. plus—double the figure for only two years or so ago. And there is no doubt that under pressure of competition, lenders are becoming more and more caught up in business outside the well-tried fields they have tended to restrict themselves to in the past.

**British activity**

British banking houses have been well to the fore in this connection. Many of them have also been active, assisted by changes in Bank of England attitudes to certain forms of rationalisation, in reshaping their relationships with associates at home and abroad to reinforce their international fire-power. The recent decision of the Midland Bank to acquire in total ownership of the world-famous internationally-oriented merchant banking house of the Samuel Montagu is a case in point.

It has not all been plain sailing, however. Barclays Bank's plan to extend its involvement in the American banking field has run into a head-on collision with the New York banking control body. But, in broad terms, it has been very much a success story of the most exciting kind. Unfortunately, it is always possible to have too much of a good thing.

And there are a number of reasons for thinking that the intensive development of their overseas activities is concerned, so to speak, with a breath-taking it is more likely to provoke serious cases of indigestion. For another,

the fact that banks in different countries are more closely connected than in the past is in the ordinary way a source of strength, it could be a source of weakness if a major breakdown occurred in any part of the system.

What also has to be borne in mind is that as there is a much greater awareness in the financial world of the "trouble capability" of the Euro-currency markets, any sign of serious trouble could trigger off a potentially highly embarrassing chain reaction.

**Sober attitude**

Another important reason why a sobering-up in the attitude of London banks to international advancement would be appropriate is to be found in the contribution this could make to beating off the sizeable threat to their world-wide role posed by Britain's entry into the EEC. Other Common Market countries are obviously not at all sure that the U.K.'s deep involvement in banking outside Europe won't materially complicate the Community's external payments life, especially if there is to be any serious attempt to implement economic and monetary union. There is also a certain amount of concern about the implications for competition of the growth of banking cartels embracing top banks in Britain and the Continent.

Such worries are obviously going to play a significant—if not a decisive—part in determining how far the other EEC

members are prepared to go to indulge in the projected new Common Market banking legislation with London's wish to be a pre-eminent banking centre for the rest of the world, as well as for Europe itself. The flow of investment into domestic capital outlays.

So has the mounting up that Britain's involvement in the Common Market has a much bigger boost to investment on the Continent than to British investment at home. And at the end of the resulting controversy, it is the banks that play an important part in the balance in the allocation of available resources between investment opportunities at home and abroad.

It is not going too far to say that how they respond to greatly intensified competition in the long-standing charge of the greatest significance of their future. Certainly, banks' best hope of staying afloat in the banking world is to demonstrate that in the home side can come getting the best of both worlds—a banking industry that does all it reasonably can to promote the invisible balance of payments while ensuring the industry is being carried about the City's role—that just as adequately as its counterparts.

He went on to cite passages in the report of the Inter-Bank Research Organisation on the future of London as an international financial centre which indicate that this behaviour has produced very much the wrong kind of image for City financial institutions in the country at large.

This is not, of course, a new criticism of our banking houses. Indeed, it has been going the rounds more or less continuously since the end of World War II. And it can be argued—indeed, I have often heard it argued by top bank men talking about the City's role—that just as adequately as its counterparts, it has not done the banks any harm, seeing that the emphasis they have placed on developing their international functions has brought them great prosperity while giving a powerful boost to the country's invisible earnings. The point is, however, that they can no longer count on dis- regarding such complaints about their way of life with the comparative impunity they have in the past.

The difficulties the bank has experienced in the industrial capacity expansion pace needed to support ambitious growth policies focused attention on the adequacy of the flow of investment into domestic capital outlays.

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**Overseas banks are riding high**

By C. GORDON TETHER

"Barclays International has continued," said Sir John Thomson, retiring chairman of Barclays Group at the annual meeting earlier this year, "to implement its policy of providing a truly international banking service and, to this end, has considerably broadened its appeal." At about the same time, Lord Aldington, head of National and Grindlays, one of the other prominent members of Britain's family of overseas banks, was informing his stock-

holders that "we are better placed now than ever before to take the opportunities that the developed and the developing world present to international banks."

The overseas banks, in short, are riding high. Which is what they have consistently been doing ever since they discovered in the first decade or two after World War II that there was an answer to the threat to their existence posed by the growth of nationalism in the less-developed countries which had been their traditional stamping ground—that, by amalgamating with similarly afflicted banks and diversifying their activities, they could develop sufficient strength to take in their stride the expropriation of branches and similar enfeeblement in their old haunts.

The fact that they give all the appearance of still being on the crest of the wave a decade or two later might seem to be almost too good to be true. And as it happens, it is not necessary to look with an excessively jaundiced eye on those aspects of the world financial outlook that are of special concern to these institutions to start asking whether it is. For storm clouds materially bigger than a man's hand have begun to appear on their horizon—as on those of many other types of banking houses. And no one can be quite certain that they are not the precursors of a deluge that could have a most sobering effect on the present exuberance of the international banking community.

The pace at which the overseas banks have continued to move forward, thanks in part to the new-style policies referred to by Sir John Thomson and Lord Aldington, is fully illustrated by Bank of England statistics. Thus, they show that in the spring of this year British overseas and Commonwealth banks could point to a deposits total of £10,100m. This represented a jump of £3,000m., or over 40 per cent., when compared with a year before—the great bulk of which was accounted for, moreover, by the growth of business expressed in currencies other than sterling.

Less than five years ago, the deposits of these banks were barely a quarter of what they are now. And making due allowance for the distortions caused by the fall in the value of currencies in general and the pound sterling in particular, this still represents a phenomenal rate of advance

judged by any criterion. Little wonder, then, that such disruptions of their traditional activities as those that have arisen during the past year or so from the revolution in Bangladesh and the nationalistic rampages of President Amin in Uganda produce no more than a few ripples on their pond instead of the sizeable waves they would have done in the past.

Moreover, it is true to say that, working in conjunction with other developments, the massive restructuring that has taken place during the past ten years is tending to reduce still further the overseas banks' vulnerability to troubles of this order on the perimeters of their new-style empires.

**Obvious links**

For one thing, because their overseas branches are nowadays answerable to international companies that have no obvious link with their imperialist forebears, they are much less inclined to attract hostility even in the most nationally sensitive of countries. For another, most of the less-developed countries have now managed to get the role of foreign banks into correct perspective. They have come to recognise, to put it in another way, that their services can often be enlisted to promote economic partnerships between the "haves" and the "have-nots" of the most acceptable and rewarding kind.

So, if the overseas banks could count upon the favourable factors that have made it possible for their new styles of behaviour to reap such a rich harvest in other senses, they should be assured of doing even better in the years immediately ahead than they are already.

If it has to be asked whether there is as much justification for such an optimistic assessment as there may appear to be at first sight, it is primarily for one reason. It lies in the impressive indications that the growth in world financial traffic they have exploited with such signal success is joining forces with other factors to generate new problems of a potentially highly debilitating kind—so debilitating that all banking concerns heavily involved in this traffic are liable to feel the draught.

It is not only that international financial activity has been growing at such a pace that the system has almost certainly become over-extended and, therefore, apt to experience

Continued on next Page

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It's

# Share prices fail to reflect profitability

By BARRY RILEY

Once upon a time the stock market used to be impressed by a strong profits performance, but it almost appears that rational analysis has departed from the scene these days, at least as far as the financial sector is concerned.

The Big Four clearing banks' profits have continued—indeed have accelerated—their giddy climb, rising on average by 15 per cent at the pre-tax level in 1972, by 36 per cent in 1973 and by a massive 80 per cent in the first half of the current year.

But share prices peaked more than a year ago, and recently they have been trading at little higher than late 1971 levels. This year the stock market has actually been kinder to merchant bank shares—despite a patchy profits outlook—and to hire purchase finance houses—while in some cases are being hard hit by the cost of money. So divorced from the profits trend have the clearers' share prices become that the usual response to a rise in bank base rates is a price setback. This is in spite of the well known "endowment" effect of high interest rates which push up clearing bank profits because the banks hold large sums deposited in interest-free current accounts.

## Political sector

The simple explanation is that the stock market has labelled banking as a political sector. In the background, of course, is the Labour Party's threat to nationalise the lot when it returns to power. More immediately, the banks' profits are to be kept within Phase Two guidelines, which introduces uncertainties even though the restrictions hardly appear to be onerous.

And looking a little further ahead, some Throgmorton Street pessimists may feel that current clearing bank earnings will prove wholly exceptional once a semblance of monetary normality replaces the present were in the best two out of the strange combination of ultra-

high interest rates and a soaring money supply.

There are other market factors working against the clearers' shares. Earnings may be high, but dividend yields are low—only about three-quarters of the average for industrial shares—and that is a serious deterrent for fund managers at a time when dividends are officially restricted and likely to stay that way.

Secondly, a great deal of clearing bank equity is already in the hands of the institutions and they have little appetite for more. Talk of rights issues has not helped here, although in fact only Bank of Scotland has actually raised new money (£20m. last January) and none of the others are likely to now.

## Broader spread

Nevertheless, they have shown themselves willing to dilute their equity in the search for a broader spread across the banking spectrum; Lloyds rather expensively bought out the minority in Lloyds and Bolea International this summer, and Midland's purchase of merchant bankers Montagu Trust could cut its earnings per share by 6 per cent on a fully diluted basis.

As far as Phase Two is concerned, the snag for the stock market may be that the rules have been cast almost too favourably for the clearing banks, which leaves investors fearing that new measures will be applied—either under Phase Three, or elsewhere.

Like other major concerns, the large banks have had to send to the Price Commission (by the middle of last month) to profit returns relating to May and June. From now on quarterly statements are required. Such returns must show separately the profits on interest-bearing and non-interest-bearing business.

Each category has to fit in with the usual reference level, and such action would have little impact on current share prices. The banks have already tried to pre-empt some

The allocation of costs and profits between the two categories is necessarily arbitrary, but the British Bankers' Association has apparently worked out a formula to ensure that results presented to the Commission are consistent. And until quite recently the banks were confident that they have been operating within their Phase Two limits.

## Reference margin

This is largely because the interest-bearing reference margin is calculated as a percentage of resources—mainly deposits—and those resources have been soaring since the new era of Competition and Credit Control was ushered in almost two years ago. Over this period clearing bank deposits have jumped more than 60 per cent.

Previously the clearers were basically high-margin "retail" banks, but they have expanded significantly into low-margin "wholesale" business through the City of London. They are now in a position to apply the relatively high retail-type margin of the late 1960s to resources swollen by their operations in the money markets.

Even on this basis, however, the holding of margins within the Phase Two reference limits depends on interest rates not rising too far. In the first half of this year the peak period for base rates came in March, ahead of Phase Two, whereas May and June base rates (and advances ratios) were lower.

But since late July the jump in base rates and bank lending will have changed the picture, and the Treasury may be called upon to use its powers to claw back the excess earnings—the method suggested is by reducing the interest (at Treasury Bill rate) paid on the clearing banks' £700m.-plus special deposits.

Profits would only, of course, be "reduced" to a very high level, and such action would have little impact on current share prices. The banks have already tried to pre-empt some

of the criticism of high profits by reducing certain charges—namely on current accounts—but any really effective attack on the problem of endowment profits will have to come through changes in the rate structure.

This will not be easy, as there will be repercussions throughout the financial system. The clearers recently tried to pay back some of the endowment element by reducing the gap between base rate and deposit rate, but this produced squeals of protest from the building societies who were put under even more competitive pressure.

In any case, some bankers insist that in current conditions of rapid inflation and expansion of the banking system they need high levels of earnings to provide the capital backing for growth. In its present state of ill-health the capital market is not capable of providing the potentially massive sums needed to increase significantly the equity (and subordinated loan) base on which banks build their deposit pyramid.

Partly thanks to timely revaluations of property the clearers have not yet found capital resources a limitation. But some feel that the Bank of England may be hatching plans to impose specific ratio restrictions on the banking system related to capital and reserves. From last July something of the kind has been imposed on the money market's discount houses.

## More suspicious

This possibility gives bankers an incentive to increase retentions; it could also make the stock market still more suspicious, for it gives another reason to expect dividends to remain modest.

Elsewhere in the financial sector most of the attention has been captured by merchant banks, which have been the centre of much takeover activity. Apart from Montagu, the past year has seen the acquisition of Guinness Mahon by Lewis and Peat, and the abortive merger plans between Hill

Samuel and Slater Walker. More speculation is likely in this sector, particularly as there are increasing signs that the accepting houses will decide to disclose their true profits next year.

Meantime, the consumer credit specialists are out of favour. High interest rates always put pressure on their margins, and although the recent results from United Dominions Trust showed useful growth, the same may not apply to other leaders like Mercantile Credit and Lloyds and Scottish. From now on volume growth may well slow down, in line with the apparent trend of consumer spending.

Old and new—Interior of a Barclays Bank in Cambridge about 1950 (left) contrasts with the new Lichfield branch in Birmingham (right).

CONTINUED FROM PREVIOUS PAGE

## Overseas banks

turbulence of a potentially highly embarrassing kind for slump. Since it is an ill-wind that blows nobody any good, banks engaged in international financial traffic have derived important benefits from both the world-wide rise in interest rates and the disorderliness of the currency markets. For the first of these developments has greatly increased the return on their lendings without any action on their part. And the second has both strengthened the yield from their foreign exchange services and served as a powerful boost to the demand for them, traders have inevitably had to rely more and more on the specialist advice and assistance to cope with the immense ex-

change problems that import them into engaging in some new thinking about their basic policies that might soon have become desirable in any case. The point is that there is more than a suggestion in the tendency for the affluent world to become "over-banked" as a result of the glut of money seeking relatively safe employment that the time has come for a change in emphasis—a change that would result in greater attention being paid to the areas that are almost certainly going to provide the greatest opportunities for banking development between now and the end of the century.

and export traffic is inevitably throwing up, with even the top-most currencies fluctuating violently in relation to one another from month to month.

But the picture could change very rapidly if the discouraging effect these new uncertainties are inevitably going to have on the growth of world trade and financial traffic were to become marked.

## New thinking

The British overseas banks are, happily, probably as well equipped as any to deal with the backwash of such a change in the environment. But the possibility that it is in the offing could, with advantage, prod them into engaging in some new

thinking about their basic policies that might soon have become desirable in any case. The point is that there is more than a suggestion in the tendency for the affluent world to become "over-banked" as a result of the glut of money seeking relatively safe employment that the time has come for a change in emphasis—a change that would result in greater attention being paid to the areas that are almost certainly going to provide the greatest opportunities for banking development between now and the end of the century.

Since the overseas banks are already well-established in this field—the less-developed world—they are best placed to pioneer the necessary re-orientation.

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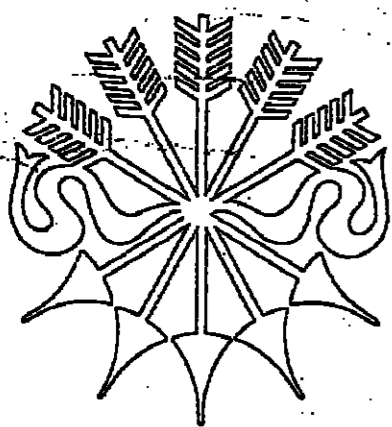
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### U.K. BANKING XIV

# Anxiety in Euromarkets

By MARY CAMPBELL

Seldom has any year in the history of finance recorded such great changes as have happened in the last twelve months on the international markets. The facts and figures alone are impressive enough. Where Eurodollar interest rates on August 31 last ranged between 10½ and 11½ on seven-day to one-year money, a year previously they had been between 4½ and 6½. In September 1972, the dollar, if not precisely sparkling, still retained credibility, during this year it has plunged down what at times appeared to be a bottomless pit. Generalised floating, which a year ago was still viewed in some quarters as a viable solution for the problems of the international monetary system, has now, after six months' experience, shown in practice it too has awkward strings attached (if not those which sceptics had widely predicted). In the autumn of 1972 the Euro-market banks, awash with excess liquidity, faced a period of lengthening terms for loans, a new range of as yet untested range of borrowers, and pressure on profit margins on lending business. Now even the liquidity of the market shows signs—at least—of drying up.

#### Cyclical upswing

These bald facts if anything understate the changed conditions on the international capital markets. A year ago international bankers certainly expected a cyclical upswing in interest rates—what was not widely expected was a permanent upward shift in the interest rate average over the full cycle, such as appears to be in progress now. The shrewdness of international bankers also expected pressure on the dollar to mount again—but even these did not expect the kinds of falls that have been seen this year, while the amount of international savings which could be mobilised into long term dollar denominated securities continued to increase until last February.

All these changes were reflected in Euromarket activity

during 1972-73. On the dollar sector of the Eurobond market, new issue activity continued apace, with January producing a record volume of new issues. However, the devaluation of the dollar in February followed as it was by continued pressure and the generalised floating in March, shattered investor confidence in dollar denominated securities. Since the beginning of April, apart from British local authority note issues, there have been only three public dollar denominated issues on this market.

#### Bond slump

On the secondary market, prices of outstanding dollar denominated bonds slumped heavily, with the Bondtrade indices reaching low points in early August of 95.21 for medium-term bonds—a fall of over 6 per cent. since the beginning of the year—and 88.72 for long-term bonds—a fall of well over 10 per cent. Turnover also declined to roughly half of January's levels at some points.

New issue activity on the non-dollar sectors of the market—particularly on the D-mark and Swiss franc international bond markets—continued at a high level for some months. However, since the revaluation of the D-mark at the end of June, the D-mark market has been under pressure. More important, new issue activity in all currencies has become increasingly difficult because of the very rapid increases in interest rates.

The medium term lending market, where loans incorporate a floating rate mechanism and much less affected by the currency and interest rate traumas. Here the problems have been different. Towards the end of last year, it was evident that the maturity on loans was likely to hit the 15-year mark. This duly happened in a loan for Brazil at the turn of the year. Since then, ten-year loans have become common and anything up to fifteen years not unusual. There was also no sign of any let-up either in demand for loans from developing countries

or in banks' willingness to supply them with funds. Indeed, the market continued so liquid that even the demand from other borrowers which has materialised this year does not seem to have diminished banks' capacity. Meanwhile competition for business forced the spreads over the interbank rate charged by banks to be continuously reduced.

#### Lower returns

On the medium term market then, the liquidity situation caused banks to take on higher risk lending—both in terms of the quality of borrowers (political risk in lending to developing countries is extremely hard to assess) and in the period for which they were committing their money. Meanwhile, the returns they could earn from such lending were becoming ever lower.

From the spring of this year onwards, there were two new factors on the market which tended to dry up liquidity. The first was the substantial borrowing by Italy and Britain related to these countries' needs to build up foreign exchange reserves. In Britain, foreign exchange cover for Eurodollar borrowing by local authorities and nationalised institutions was reintroduced in the Budget in March. Following this move a number of local authorities borrowed on the market while the British Electricity Council, under government guarantee, borrowed \$1,000m. in one loan. Italian state institutions also came to the market for large sums—the most spectacular loan being \$1,000m. for ENEL.

The second new factor arose from the monetary squeeze in the U.S. which forced interest rates there above ruling Eurodollar rates. This led to the borrowing by U.S. banks' head offices from their overseas branches and, to some extent, to U.S. companies, particularly real estate investment trusts, borrowing on the Eurodollar market.

As yet there is no sign that these developments have led to any shortening of the maturities of lending or to a decline in lending to developing countries. The only effect which can be discerned as yet is some of

reluctance by the banks to continue lending at the very low spreads that had become common.

Hanging over the market is the possibility that the central banks might try to impose controls on the market, which is felt, at the least, to have acted as a channel for the large scale foreign exchange speculation/hedging which has been seen in recent years. In February, the world's leading countries officially went on record for the first time as intending—if only ultimately—to impose reserve requirements on the Euro-markets similar to those which exist in domestic banking systems.

There is no doubt that anxiety about the growth of the market is widespread. Not of against any moves to interbank transactions within Europe, the international monetary pool in Europe alone had reached \$91,000m. by the end of last year; the previous

year's figure was \$71,000m. volume of international which can be mobilised is much larger than this.

The problem about this market is not but the way. Commercial banks have less liquidity using the mechanism of the Treasury Secretary's one, has ideas on this

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## Credit cards expansion

By JAY PALMER

It was, confessed one letter writer at the time, almost as if the ugly old witch had been suddenly transformed into a dazzling fairy godmother overnight. The descriptions are perhaps a bit extreme but certainly the introduction of credit cards by, first, Barclays Bank and, later, the other clearing banks, reflected quite a change in style. Prior to the new cards one could have been excused the feeling of having to approach the banks on bended knees for funds. Suddenly, one almost had them begging you to take up the available credit facilities—the catch lay, of course, in the 1½ per cent monthly interest charge, and at that rate who could blame them for trying?

As far as credit cards in Britain are concerned, it was Barclaycard who paved the way in the mid-1960s. Since then Access has been introduced jointly by a whole host of other clearing banks and there has been a determined down-

market push by American Express and Diners Club. In addition quite a few other plastic "credit" cards have come (and gone) offering advantages of shopping discounts, better and quicker service, convenience and, just occasionally, credit.

Talking in terms of credit, basically Barclaycard and Access are the only two cards available in the U.K. that offer this advantage. Both work in the same way of giving the account holder a certain credit limit (which is originally determined by his bank manager but which can be reviewed later on request). As long as the total account stays below this limit no-one worries; the card holder has the option of paying off the total bill pre-interest levies every month or paying off a certain set percentage and having interest on the remainder carried forward.

If Barclaycard and Access are ultimately in business to lend money (their profits come from the card user's interest charges and the retailer's initial fixed charge and transaction levy), this is not the case of the other cards which basically fall into four categories.

First, there are the clearing banks' (with the exception of Barclays) cheque cards and cash cards. Both are issued by the individual bank chain for the exclusive use of its account holders and fall into the category of convenience cards. The cheque card merely guarantees that, if certain minor precautions are taken, the cheque will be honoured for any amount up to £20.

The cash card is a more recent innovation by the clearers to help decrease the long queues at bank counters and help account holders beat cash shortages that occur overnight or during the weekends. The card holder uses his card and his secret number to draw cash from a computer controlled terminal located on the outside wall of a selected branch. In time it is hoped that outlets will be located in station terminals and places other than only bank walls.

But neither the cheque card nor cash card gives credit. Secondly, there are the discount cards which offer the user—

Continued on next page

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## U.K. BANKING XV

## Money market mends after July 19 shock

By DONALD MACLEAN

On July 18, the London discount market was pursuing a recovery course, after its relatively poor trading experience in 1972. On July 19, it was facing one of the worst declines in its history as a result of the official decision to raise interest rates in defence of the pound.

The Bank of England's Minimum Lending Rate (the new-style Bank Rate) rose from 7½ to 9 per cent on July 20, and a week later—with sterling having fallen appreciably further—increased to a record 11½ per cent. The Discount market was caught between rising borrowing costs on the one hand, and falling capital values of its fixed interest investments on the other.

It is likely that the experiences of individual Discount houses varied widely, but the market as a whole must have made heavy calls on its hidden reserves to meet this situation.

## Paper losses

How much extent, the capital loss on paper, but collateral requirements even in these cases will have had the effect of tying up the market's basic capital, thus reducing the scale of the market's operations in the new situation, while the running margin on the investments must have been reduced, eliminated or turned into a running loss by the rise in borrowing.

Given that the Discount market had ahead of July 19 a total investment book of about £2,500m., the possibility of losses running into tens of millions against the background of a 4 per cent. per annum rise in short-term interest rates is clear.

Now, amounts running to tens of millions represent a substantial part of the Discount market's capital base, some official idea of which has just become available.

July 19, it should be said, did not bring unalloyed gloom to the Discount market. The move that day to raise interest rates was accompanied by something the Discount market had long sought—relief from the rule operated under the 1971 Competition and Credit Control arrangements that Discount houses should keep at least 50 per cent. of their borrowed funds in public sector investments.

The market's recovery drive had been hampered by this

rule—which restricted its ability to tailor its investments in line with its view of investments prospects.

The 50 per cent. rule has, however, been replaced by regulation of certain "non-defined" assets, corresponding broadly, but not exactly, with the assets which would previously have been under the heading "non-public" debt. The new regulation is that Discount houses must not hold more than 20 times their capital base in non-defined assets. The capital base for this purpose is defined as the average of the preceding three end-December totals of published and hidden capital.

As the Bank of England is under the new system publishing monthly figures of the market's total holding of non-defined assets, and indicating the multiple which this constitutes of the capital base, it is possible to calculate that over the past three end-December the market had an average capital base of about £98m.

Early in the new year, as a result, it will be possible to calculate the change in the real capital of the market between end-1970 and end-1973.

Meanwhile, however, the market faces a problem of recovery from a reduced capital base, and it is important in this context to recognise that some houses' reserves must have been substantially worse hit than others.

The Discount market, however, is not to be looked at simply as a commercial organisation. Under the current market structure it is a major link between the Bank of England and the money market as a whole.

In the ordinary course of smoothing out imbalances in the day-to-day credit position of the money market, the Bank of England may work through banks, but it also works extensively through the Discount houses, and under the Competition and Credit Control arrangements the Discount market retained its position as the only body with lender of last resort facilities at the Bank's discount office.

One day, this situation may change, but for the moment the Bank appears to favour maintaining the Discount market's peculiar position in the money market structure.

Any move to alter the role of the Discount market in the City, in fact, seems more likely to come from within the market

than from the Bank of England. Certainly, the freedom of gilt-edged prices to fluctuate which arrived with the Competition and Credit Control arrangements, which swung emphasis in monetary policy towards closer regulation of the money supply and away from control of interest rates has been a nerve-testing experience for the market.

It is one of the problems of the Discount market that it cannot tell from one generation of its executives to another where its main field of activity will lie.

## Domestic bills

Once there were domestic bills of exchange (helping to finance the industrial revolution), then there were the international bill on London of gold standard days, then the Treasury bill, then the gilt-edged stock, now perhaps the sterling certificate of deposit.

It is worth noting that most of the market's fields of investment are not peculiar to the Discount houses. These fields are not always rewarding and they are sometimes bad things to be locked onto.

If this were all, the market might well be closer to taking its £98m. (or something less) and the financial skill of its executives off to new fields.

But under the Competition and Credit Control arrangements the Discount houses achieved a status which must substantially colour any appraisal they make of their business. This is that call loans to the Discount market (and to a few other money market houses) count at reserve assets in the hands of the banks.

Because other forms of reserve asset tend to be restricted, loans to Discount houses by the banks are made relatively cheaply.

Out of the banks' overall reserve assets of about £3,600m., about two-thirds is in call loans, most of it to the Discount market.

As a result, while overnight inter-bank loans have sometimes been in the 10 per cent. to 15 per cent. range lately, call loans to Discount houses have been in the 9 per cent. to 11 per cent. range.

The fact that gilts with more than a year to run are not reserve assets in the hands of the banks, but may provide the base investment by which a reserve asset is created for a bank (through its lending to a

Discount house which invests in the gilt) gives flexibility to the supply of reserve assets. It may be supposed, therefore, that the commercial banks, as well as the Bank of England, have an interest in the maintenance of the Discount market's operations.

The possibility arises that the Discount houses will be assisted to overcome their present difficulties by an alliance of the Bank of England and the commercial banks—as they were helped over their difficulties (associated with low interest rates) in the 1930s.

Just how assistance of this kind, if given, is given, is not likely to be made public. But ways in which the Bank of England might conceivably help include lending to the Discount houses, to build up their capital bases, and widening the range of securities it is prepared to buy from the houses. The clearing banks might help, for instance, by relaxing collateral requirements and making loans available to the houses at relatively cheap rates.

Any help given in these ways, or in some other way, will be reinforced by the fact that the basic structure of the market has been strengthened substantially since July 19 by the removal of the 50 per cent. rule.

But this does not mean that the market should not be reconsidering its future—if only because the peculiar status maintained or freshly set up for it under Competition and Credit Control appears a matter of subjective rather than objective decision, and will not necessarily last for ever.

Considerations that should be taken into account may be summarised as follows:

1 — The market's ultimate resources are a certain volume of money (under £100m. it seems), and the experience and skill of its executives.

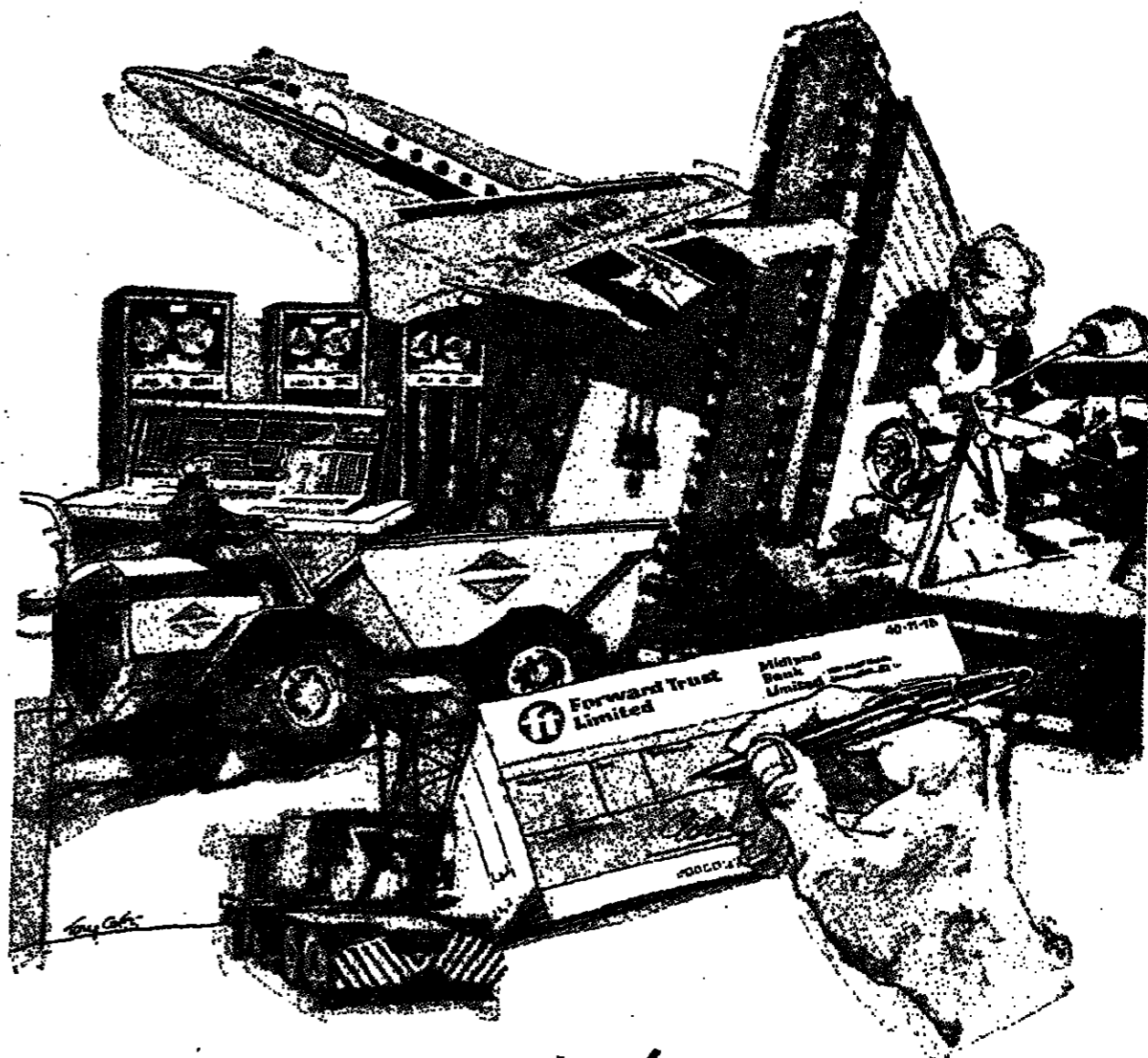
2 — The market's broad economic function is in the distribution of money to those areas where it is best employed.

3 — The market's essential problem is whether to place less emphasis that it has on dealings with other money market operators, and more on dealing with end-users in broader fields of industry and commerce, say through commercial bill business.

If it should build up its commercial bill business to a dominating position, the wheel will have gone full circle.

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CONTINUED FROM PREVIOUS PAGE

## Credit cards expansion

usually in return for an annual fixed rental—a varying discount at certain shops. In the sense that shoppers already seem to be becoming a good deal aware of the possibilities of obtaining discounts by shopping around, it would seem that, at the very least, such cards are going to come in for a good deal more competition.

Thirdly, there are those cards which all of us accept as credit cards and credit card pioneers at that. These include American Express and Diners Club, but

nevertheless, in comparison to Barclaycard and Access, they do not really offer credit. For although the card holder can use his card as often as he

wants and, theoretically at least, run it up as far as he wants (for practical purposes there is a relatively high limit at which the company will give a polite ring and ask what on earth is going on), the total amount must be repaid on receiving the monthly statement. The company makes its profit on the annual charge and the retailer's fixed levy and does not aim to lend long-term funds.

Finally, there are the retailers' cards which have, in recent years, become a great deal more common as more and more companies switch to them in preference to the normal accounting credit. These are

issued by, among others, Avis, Hertz and Godfrey Davis in the car hire field; Hilton and Trust Houses in hotels; Austin Reed and Hapworths in menswear and a whole number of companies running department stores. They differ considerably in operation — some aiming at immediate monthly clearance of accounts and others at a rolling regular credit system—but all exist primarily as sales aids. The idea is that if you are holding a card you are much more likely to first, keep going back to that particular chain, and secondly, to give in to impulse purchasing.

But as far as real credit from

everything comes back to Barclaycard and Access. The arrival of Access on the scene so dominated by the established Barclaycard resulted in two important developments. First, not surprisingly, a marketing war with both companies pushing hard for new outlets and new holders and secondly, fears of Government control.

In terms of numbers of users, Barclaycard's four year lead is still telling. But if the company's blurb is to be believed, Access is fast catching up (and so it should with far many more bank account holders open to marketing drives) with a weekly addition of 15,000 to Barclay's 10,000. In terms of available outlets, Barclaycard services are now available in about 15m. establishments in some 50 countries. Access, by comparison, offers 145,000 outlets at home and abroad.

## New outlets

Both companies are pushing hard into Europe in attempts to open up new outlets, but for all the contest, it is basically a friendly battle. For neither can really lose—any expansion in opening up new territory or gaining new converts to the credit card philosophies must work to more publicity and eventually a greater acceptability of cards generally.

In fact, this drive for outlets and holders is largely responsible for the fears of Government action. The point was that when Access (and for that matter earlier Barclaycard) was launched, it faced a tricky problem. For the whole success of the launching exercise depends on a large number of card users being rapidly built up and it is only on this assumption that the wide range of outlets necessary to attracting card holders can be persuaded to sign on. It really is a vicious circle: without outlets, the membership falters and without members the outlets balk.

Access had little choice, but nevertheless its launching techniques aroused a wave of antagonism. For although Lloyds did write to account holders to ask if they did not want a card, the other banks in the scheme sent them uninvited.

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banks had made many of their moves well in advance of entry. The Eurocurrency market, for example, has developed with its centre in London and many of the merchant banks have firmly established their European branches over the past decade. Hambro, to give one instance, claims that a large proportion of its clients are domiciled outside the U.K. already "so we felt part of the EEC before we were part of it."

**Continued on next page**

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# Providing capital for the small business

By PETER FOSTER

Anybody who subscribes to the "little acorn" theory of growth in British industry must see the importance of encouraging smaller companies. Not only do they provide a breeding ground for new technology and entrepreneurial talent but they are also extremely important to the economy as a whole. In the U.K. there are some 1.5m. small firms and they account for almost a fifth of the GNP and almost a quarter of the output of the private sector. They employ more than the whole of the public sector. Moreover these figures are based on a fairly modest cut-off point in terms of size. The criteria used are 200 employees or less in manufacturing, £50,000 sales per annum or less in retailing, £200,000 or less in wholesaling, 5 vehicles or less in transport and similar criteria for other industries.

In fact, if one is considering venture capital, which is capital injected into a business when it is on the point of "taking-off" in production terms, and even more so, so-called "development capital," which is the sort of support provided in the pre-notation stage, these criteria are certainly too modest.

## Potential sources

It is of key importance to any business at the pre-notation level to be aware of the potential sources of finance open to it. The present Government has made a positive move in this direction via the instigation of a number of "Information Centres," the purpose of which is to provide help and guidance specifically to the small business man. The first of these centres was in fact opened just over a month ago in Newcastle. They are intended essentially as signposting organisations which will not provide advice as such. They will however direct the small businessman to the places where he might get it. The idea is that they will carry lists of organisations which provide finance, and other services, and they will, using their expertise, direct the enquirer towards whichever is the most appropriate for his particular needs. Two specifically financial pamphlets have been prepared

## Initial stage

The source of finance for the small firm depends very much on its size. Analytically three separate types of small firm finance are usually distinguished. First there is the provision of so-called "seed capital," which is needed at the initial stage of realising what was until then merely the successful prototype of an idea. Next comes the stage at which there is perhaps full production, if the product is a manufactured one, and there are fairly sizeable order books, although substantial modifications may still be necessary. Finally comes the "Development Capital" phase, which is usually synonymous with the pre-notation stage, when the company has a distinct share of the market and the expansion possibilities are clearly in sight.

The range of organisations which provide such services is not so neatly categorised. The banks are of course the first stop for the expanding small businessman but the advances supplied by the local bank manager are of the overdraft type and are usually used as working capital. When the firm starts to outgrow the local bank it will be directed elsewhere. Now that there is a trend towards the large clearing banks acquiring merchant banking subsidiaries the potentialities for liaison have increased greatly and there is the prospect of one single organisation providing financial assistance to a firm from humble origins all the way to a public quotation.

There are however distinct problems, or at least there have been in the past, with bank finance for small companies. Bank lending was, at least until the announcement of the policy of Competition and Credit Control (CCC) in 1971, a prime instrument of demand management for the Government of the day. This of course meant that

the small firm was subject to the vagaries of stop-go and re-current squeezes, when the banks would be more concerned for their larger customers. So far we have only seen CCC in an expansionist climate, but it will be interesting to observe what will happen if the brakes have to be applied to the economy. Essentially the Government seems to have moved away from the qualitative type of controls which were seen in the past towards a much more market-orientated approach. There may be a strong case for remaining qualitative when it comes to favouring finance for smaller companies.

Beyond the clearing banks there are a large number of financial institutions which cater for the expanding small firm. The largest, and one which was set up by the clearing banks in conjunction with the Scottish Banks and the Bank of England, is the Industrial and Commercial Finance Corporation. This organisation is Europe's largest provider of loan and equity capital to small businesses. It has an average commitment of around £100,000 to over 2,000 customers. ICF has a technologically oriented subsidiary called Technical Development Capital. TDC is more concerned with the "Seed Capital" stage and although its average commitment is still as high as £80,000 its interests range all the way down to £1,250. ICF's size and backing mean that it has advantages in raising money which enable it to be flexible in its repayment terms, often gearing these to a company's growth projections.

When it comes to the merchant banks, they are obviously only interested in the larger propositions. An initial enquiry will be followed up by a thorough investigation of the company's track record, its financial controls, the quality of its management and its product and market potential. If these are all satisfactory then the bank may offer either a straight loan or a package containing both a loan and the taking of an equity stake.

County Bank, the Natwest subsidiary is probably a pretty fair example of the way merchant banks go about looking at small companies. County likes to see at least two or three years of solid growth before it will consider a company eligible for a loan. Then after careful examination it will be prepared to take a view of up to 10 years in terms of loan finance. In general terms County will not look at situations involving a loan of less than £50,000. The company has no specific interest in any particular area of industry or finance but, for the right company, it will be prepared to take an equity stake of up to 25 per cent. The rates which are charged to customers depend partly on the nature of the venture and partly on the equity stake which has been taken. Specific rates are related to the interbank rate and range from around 2 per cent. above to around 3 1/2 per cent. above this rate. County takes no part in the everyday management of the company, unless specifically asked for advice, but usually seeks a quarterly financial report on companies in which it holds an interest.

## Personal relations

Merchant banks in general are inclined to develop close relationships with the small companies with which they become involved. They even stress that the parties involved should get on well personally. The relationship is essentially a continuing one which will hopefully see the small company through to flotation.

The tendency towards financial conglomeration has led others into the venture capital field. For example the Co-operative Insurance Society, one of the largest insurance groups in the country has a venture capital arm called the "Small Business Capital Fund." This company lends, by way of loan and equity capital, sums of between £20,000 and £500,000 to small and medium-sized companies.

All in all therefore it seems that between the positive steps taken at Government level to encourage and guide small companies, and the increasing number of institutions who are interesting themselves in the field of venture capital, the small businessman is finding himself better served financially than at any time in the past.

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The scene at the Midland Bank's New Issue Department when 10m. Sainsbury shares were offered for sale in July.

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## New issues

pleased — the shares have since slipped to 85p.

These few illustrations show that although conditions in the equity market were stacked against new issues there were the odd occasions when the banks' corporate finance departments ticked over, which was more than could be said for the activity in the fixed interest sector.

Here the climate has been subdued for over 18 months despite a sudden drop in interest rates around January and February of 1972. Only a handful of companies, and these were mainly the issuing houses themselves, took advantage of the situation. Industrial and commercial companies were advised by their banks to borrow long at that time but with funds more readily available on a short-term basis through the clearing banks and at more attractive rates the response was negative. Since that brief period interest rates have firmed up again which in turn has dissuaded even the ardent long-term funders. Since November, 1972, there has only been one sizeable issue of fixed interest stock when Lead Industries raised £5m. by the issue of 10 1/4 per cent. Unsecured Loan stock.

There is, however, every chance that activity will be renewed in this sector in the next few months. By putting up the base rate to 11 per cent. the clearing banks are now charging 12 per cent. on overdrafts to the prime borrower and rates of up to 16 per cent. for the others. While rates in the Stock Market have obviously been affected by this move its competitive edge has undoubtedly been improved and it is significant that there is still plenty of money around for high coupon stocks.

As to equities it is doubtful whether the banks will venture much until there is a definite and sustained improvement in the market. In the circumstances, then, there is unlikely to be any significant increase in activity for the remainder of this year.

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## U.K. BANKING XIX

# New adventurousness in Scottish revival

By CHRIS BAUR, Scottish Correspondent

One of the prominent features are still comparatively small—of the general revival in approaching £30m, representing Scottish business confidence under five per cent. of its total during the past year or more.

There are a number of reasons for this. The process has clearly been encouraged by the rising tempo of the economy generally. In addition, a more aggressive attitude has been fostered among the clearing banks by official policy since late 1971. The lifting of lending controls then which led to such a dramatic increase in personal credit business for all three Scottish banks, has also sharpened the edge of competition for corporate financial business.

Finally, and most significantly, the discovery of oil off the Scottish coasts has called for a positive response from Scottish institutions—and for a degree of professionalism which, whether it existed before now or not, certainly cannot have been called into action on such a scale previously, to service purely "local" Scottish investments.

The Bank of Scotland's experience illustrates something of these trends. The bank took an early decision to become closely identified with the oil activity in the North Sea and as since appointed three consultants, recruited from the oil industry and based in Edinburgh and Houston, Texas, to identify and evaluate investment opportunities in oil.

Its small share, with other Scottish banks, in the £360m. can raise to finance BP's Forties Field development, off Aberdeen, persuaded the bank to strengthen its own capital base.

In January this year it approved a £323m. increase in authorised capital which, with the stock being issued at a price of £8 per £1, effectively increased the stockholders' funds by nearly £20m. to almost £3m. from this base the bank expects to be able to attract additional deposits of between 160m. and £200m.

In fact, the bank's actual commitments to oil-related business

witnessed a faster growth than the total lending of its parent bank.

Outside the clearing banks, there has been a steady growth in private banking activity. Few can yet emulate the performance of Alexander Stone's Glasgow-based British Bank of Commerce which has expanded its deposits from only £661,000 in 1964 to £43.5m. this year, its outstanding growth coming largely in the years since the 1968 flotation of the bank.

With pre-tax profits up last year from £1.6m. to £2.4m., the British Bank of Commerce has as its vehicle for financing North Sea oil projects. It is 50 per cent. owned with a group of British and American oil industry specialists, operating as Resources and Executive Management.

Edward Bates, the Edinburgh bank has also expanded its capital foundations (and has opened an Aberdeen office) mainly in response to oil activity. Formerly a wholly-owned subsidiary of Atlantic Assets, the £50m. Edinburgh fund, Bates was floated earlier this year, reducing Atlantic's holding to 32 per cent. and raising some £20m.

It already manages the exploration companies, Caledonian Offshore and Viking Oil and has assisted in the promotion of the £14m. Viking resources trust as a further means of investment in North Sea oil and gas.

With another Edinburgh bank, Noble Grossart, Bates manages the £8m. North Sea Assets Trust, launched less than a year ago and which now has invested in offshore services, underwater services and oil pipeline laying equipment. Noble Grossart itself, as well as masterminding the £70m. February merger of the Stenhouse Group's insurance broking interests with those of the Canadian company, Reed Shaw Osler, has pushed ahead its own oil interests. It has doubled to £4.5m. the capital of its exploration company, Pict Petroleum, and has taken Pict into a joint oil marketing venture with the British subsidiary of the French Total group.

In Glasgow, where Slater Walker has this summer established its first Scottish base, two other banking operations seem poised for expansion. James Finlay, the tea trading

### New accounts

With deposits now of over £6m. in some 400 Scottish accounts, Dalscot has been tending to mark time as the new group's national efforts have been devoted to reconstruction following the merger. It is a fair bet that this pause will not last long—and, indeed, there is already persistent gossip about the imminence of a reorganisation of the Scottish branch operation.

For some Scottish institutions, of course, the year has produced its headaches. Atlantic and North Sea Assets in Edinburgh, for instance, have respectively withdrawn and reduced their founding shares in the troublesome onshore investments, largely as a result of the controversy which developed over onshore's optioning of huge landholdings in key oil-coast sites of the Northern Isles and the North Scottish Mainland.

Undoubtedly, however, the major cloud on the financial horizon loomed with the considerable difficulties encountered by the Scottish Co-operative Society finance department, leading to the Society's hurried merger this spring with its Manchester-based counterpart, the Co-operative Wholesale Society.

The Scottish Co-op's massive over-extension in dealings with sterling certificates of deposit is now a matter of record, as is the subsequent rescue operation mounted by the CWS Bank and underwritten by the London and Scottish clearing banks. In a year of generally creative financial developments in Scotland, the Co-op episode has provided the chilling negative lesson in money market management.

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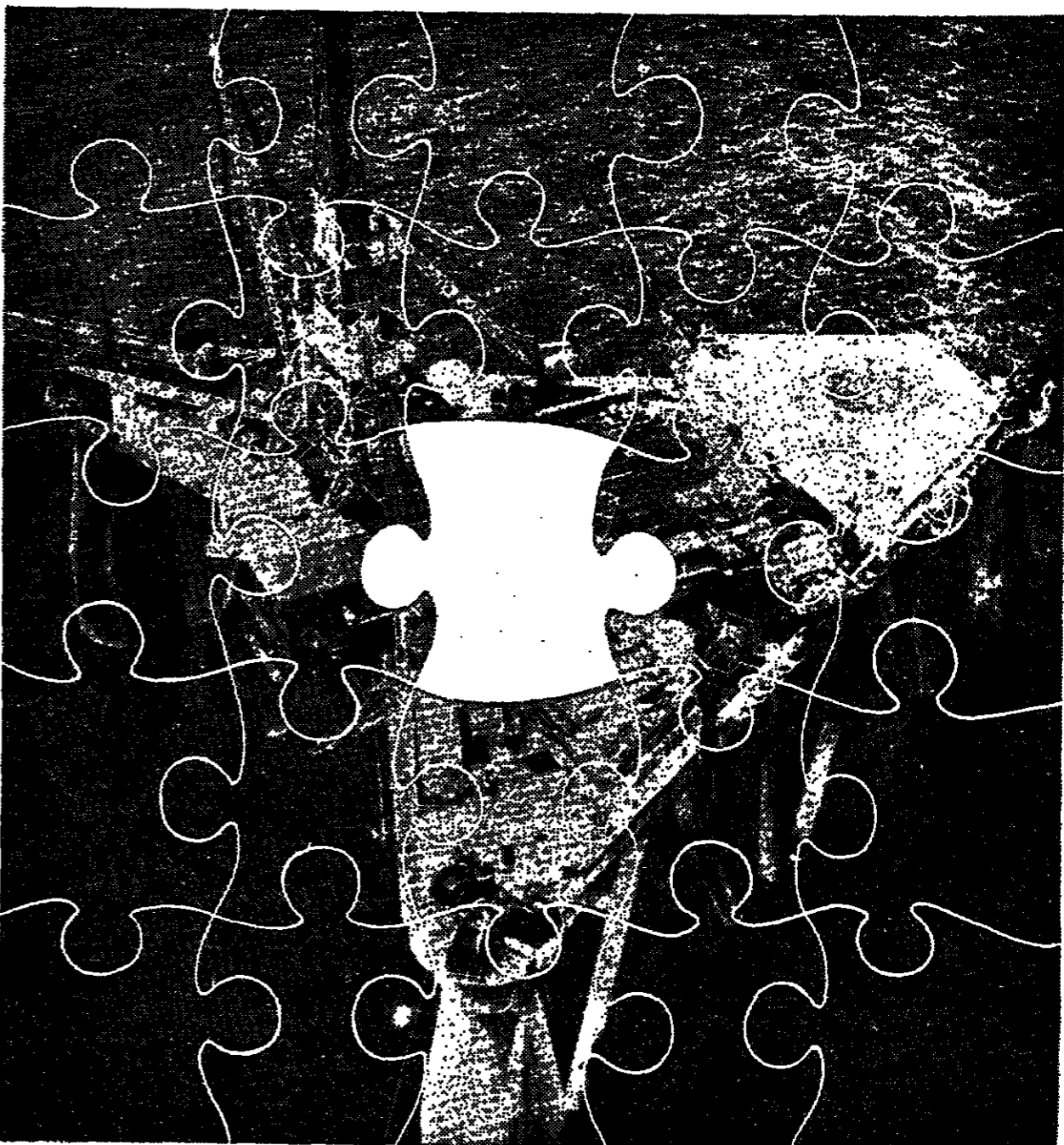
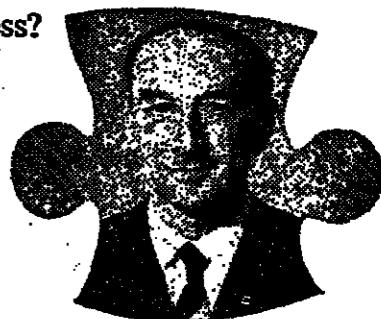
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## Secondary banks

ad become something of a be as strong as ever. And as it in their selling methods in the companies charge between 11-14 per cent. per month—and about the "penalties" for early termination of the contract. With the latter in particular, since most second mortgages never run their full time (normally because the person moves house) it is vital to read the small print. First National Finance, for example, operates a very much in the same manner as a personal loan in that interest is charged on a day-to-day basis and normally three months' notice is required to terminate, or three months' interest. And that is one of the more favourable.

The new Code, which was published in March this year, was broadly welcomed by the leading companies in the industry—Cedar Holdings, Hodge, FNFC and Guardian Capital (controlled by Vavasour). While no voluntary Code can ever really go far enough it does at least ensure that in future consumers will have a better idea of what they are getting into. Broadly speaking the Code requires that the following should be declared: (a) the total money cost of the loan (including professional fees); (b) the true and total cost of the loan stated in percentage terms per annum on a reducing balance basis; (c) any exceptional charges that can arise during the life of the loan; and (d) what charges remain to be paid if the borrower settles earlier than the contract states. It also requires that any commission paid to acquire the business should not be paid by the customer.

These new ground rules should present no great problem for the leaders in this field though, hopefully, it will help stamp out the fringe element who were so scathingly criticised in the Crowther Report on Consumer Credit. Thus far it is difficult to gauge the effectiveness of the Voluntary Code, and the impact, since most of the measures are aimed at the shadowy end of the second mortgage business, may not be apparent for some time. When one considers that the £500m. estimated size of the business is chopped up into average units of £200 there are an awful lot of consumers who have already taken the bait.

## Acquire.

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## U.K. BANKING XX

## Finance houses respond to increasing competition

By KENNETH GOODING

There is no doubt that the volume of instalment credit business in the U.K. increased substantially during the past year—but it is difficult to establish just how substantial was the increase. It is easy enough to get at the statistics for the finance houses. During the period of the Finance Houses Association's last financial year—to the end of February—the total of instalment credit outstanding jumped by 32 per cent. from £1,036m. in February last year to £1,382m. in February 1973.

The problem is that the figures of instalment credit business done by the clearing banks are not available. Their absence masks not only to some extent the growth of instalment credit overall but also the increased competition for business. The finance houses have had three years in the new competitive climate and remain remarkably confident that they can continue to keep a fair share of the consumer credit market.

## Reserve assets

New competitive spirit was let in when the Government in September 1971 scrapped quantitative limits on bank lending and terms control on hire purchase and credit sales and sought to regulate the money

supply through a system of reserve assets which could be varied by calls for special deposits. The idea was to control the cash available by altering the supply and price of funds entering the market place rather than by physical limitation—an approach never before tried in the U.K.

Finance houses have responded to competition by showing considerable flexibility and willingness to finance an increasingly varied range of transactions. Since the abolition of terms control and ceiling control the terms of instalment credit business—the new types of business as well as the more traditional forms—have been determined by the market rather than regulation by the authorities.

Making this point in its annual report recently, the FHA also makes the pertinent remark: "However, Association members attach importance to doing business on terms that are fair, and have sought to meet competition by using their traditional inventiveness and ingenuity rather than by relaxing standards of credit judgment."

According to FHA members, it was the demand for personal lending which dominated the upsurge in advances during the past year. Some in the industry feel that the "freeze" on wages prompted more credit buying

while others take the view that expectations of future wage increases, which previously had prompted advance buying, are now less strong.

Demand for business credit was slightly less buoyant, partly because of the discouraging effect on industrial investment of the Government's profit margin controls in the counter-inflation package. Also the rise in interest rates had a greater impact on business than on personal lending.

A notable feature of the increase in competition from the clearing banks in the instalment credit field has been the introduction of new credit cards by the clearers. The response by the finance houses, according to the FHA, has been "a perceptible trend away from point-of-sale credit towards direct approaches to customers."

The traditional strength of the finance houses has always been their point-of-sale business linked with the retail trader. This has been built up over a period of more than 40 years and the finance houses feel that a very large proportion of borrowers will still arrange their finance at the point of sale. Impulse buying of consumer goods will not diminish but will grow under the new credit system and finance houses should benefit from this. Customers are more likely to accept the "deferred terms" offered by the retailer than to wait and go through the process of arranging a personal loan—but just in case all the major finance houses now offer personal loan schemes.

In the words of Mr. Victor Adey, managing director of Mercantile Credit: "Point of sale lending in concert with the trader remains an extremely convenient method for the customer who can make his purchase and arrange the finance at one meeting. It is particularly important in the motor trade with which all the main finance companies have had such close ties for many years."

A note of healthy disagreement through the post. It is still to

ment has been added by Sir Alexander Ross, chairman of United Dominions Trust who has publicly said he believes that the balance between point of sale finance and direct lending "may be expected to gradually shift in favour of direct lending"—which explains why UDT has been particularly aggressive among the financial institutions in advertising its "direct-to-the-customer" service and pushing on with its Moneycentre programme where a direct contact can be established with those members of the public seeking financial guidance and facilities.

The early pattern in the UDT "money shops" showed most loans not being made for direct purchase but for things like home improvements, holidays and so on. And, significantly, UDT found that as many as four out of ten of its early customers already had an alternative bank account and it must be assumed, might well have gone to their clearing bank manager for a personal loan.

Strictly speaking, the term "money shop" belongs to the First National City Bank of New York which opened the first in Britain three years ago and now has more than 20. Apart from UDT there are money centres operated by Western Trust and Savings, the banking arm of the Western Credit group of Plymouth, Bowmaker and First National Bank of Boston, who have all been in the field for some time.

## No account

There are some in the industry, however, who believe that as half the adult population in the U.K. does not have a bank account it might be difficult to attract them into the money shops, however attractive these shops might be. But these people will still need credit. Some companies think there is, therefore, still tremendous scope for direct mail to potential customers when searching for personal loan business. This way all documentation and delivery of the cheque is done by post. It is still to

been seen how this kind of operation will be affected by the Government's "credit and the consumer" legislation currently in the pipeline because there have been broad hints that mass unsolicited canvassing for business by the instalment credit concerns will be banned. (The Government apparently has in mind the way that the clearing banks sent out thousands of credit cards to people who had not requested them.)

## Flexible rates

As for their business credit operations, the finance houses added a new flexibility to the schemes they can offer when in September 1970 the Finance House Base Rate was introduced. This is calculated monthly by reference to the inter-bank three-month rate and the effect is that on long-term agreements the rate of interest can now be flexible.

The FH base rate is now used extensively by economic analysts and commentators and it has become the most reliable and the only objective indicator of the real cost of money and is likely to become even more widely used during the coming year.

According to the FHA: "Its stature will continue to grow as its value becomes more widely recognised by all concerned with credit transactions. Although it does not directly affect the rates charged on consumer credit transactions, it is being increasingly employed in the determination of commercial lending rates."

All in all, the finance houses continue to wear enormously optimistic smiles. Their attitude is captured by the recent FHA report which maintained: "In continuing to do business only on reasonable terms, finance houses have reacted responsibly to harder competition. They will continue to do so and are confident not only that the demand for instalment credit will continue to grow, but also that their share of the market will be maintained."

## Trustee and savings banks

By CHRISTOPHER HILL

Any consideration of the Savings and Trustee Savings Banks at the present time really has to revolve around the Page Committee's report on National Savings. This appeared at the end of July and has thrown the National Savings Committee, the Trustee Savings Banks and the Government into a turmoil due to the radical nature of its proposals. And apart from the proposals, the report is immensely useful because of its general comments on the history, value (and morality) of the savings and investment scene at large. Stretching out to 350 pages the report has plenty of scope for general comment.

Leaving aside all the detail, there are two main strands of thinking which run through the Page Report which may be summarised as follows. First, Page believes that there has been little radical change in the main National Savings institutions and media since they were started (TSBs in 1810, Post Office Savings Bank in 1861, and National Savings Certificates in 1916) and change is long overdue. The Report draws comparisons between the U.K. savings institutions and those of 16 other countries, virtually concluding that the parallel development of our many savings institutions is over-complicated and in many cases out-of-date. This particularly applies to the Government Bond market—which is complicated here by various forms of bonds whereas the U.S.A., Canada and France all rely on one simple form of borrowing.

## Right facilities

Secondly, Page questions the role played by the Government in the National Savings scene, suggesting that its need as a backer has been reduced by the growth of many other forms of savings media (unit trusts, etc.), since the 1950s. Moreover, the Committee's problem with the National Savings Movement was to decide where its main responsibilities lay—with Government or with the saver. Perhaps the most telling sentence in the whole report is "For the national saver inflation has operated like a tax from which the Government as the debtor has derived great advantage." And elsewhere in the report, Page defines the Government's responsibility as to make "sure that the right facilities exist but not necessarily to provide them."

Of course, all this has been like a douche of cold water for the National Savings Movement, though not for the Trustee Savings Bank which now looks set to break away. Page's recommendations for the withdrawal of all National Savings Treasury securities except the premium bond; the abolition of National Savings Stamps and the Voluntary National Savings Movement; the introduction of a new simple £10 unit; and possible inflation proofing through an index-

linked bond all drive a coach and horses through the "patriotic" side of the National Savings movement. And, combined with the general rise in interest rates elsewhere, the report has had its effects on overall national savings receipts. There seems little hope of reaching the net target of £1,000m. for 1973-74 and the July figures showed a heavy repayment on National Savings Certificates.

## Losing ground

In fact, the figures in the Page Report show that the National Savings Bank (formerly the Post Office Savings Bank) has been losing ground rapidly since 1965 in terms of balances due to depositors. In 1965, the figure for the Trustee Savings Banks at the year-end was £2,235m. against £1,833m. for the NSB, and by 1971 the gap had widened with comparative figures of £3,006m. and £1,831m. So where does this leave the National Savings Banks if the Page recommendations are fully implemented and the Trustee Savings Banks (which at present are not significantly different in function from the NSB) sever their links with the Government and launch out into the wider field?

What the proposals amount to in fact is that the National Savings Banks would be left very much the junior partner to the Trustee Savings Banks and one cannot blame Sir Robert Bellinger, chairman of National Savings, for not being very enthusiastic about this view. Page rather grudgingly admits that with 22m. active accounts, around 15m. users, and a countrywide network, there is a "continuing role for a bank of this type offering simple deposit and withdrawal facilities." But he reckons that there should be "no extension of services" and that what the NSB should offer in effect is a residual State-guaranteed banking service for savers who are either small enough or unsophisticated not to want anything else. However, more flexibility in interest rates is urged, despite the fact that the Bank's funds should continue to be invested wholly in public sector securities.

Compared with this scarcely attractive prospect, Page leaves little doubt that what he really wants is for the 73 Trustee Savings Banks to make a wholehearted exit from the 19th century: cut away from the Government; and to transform themselves into a banking force standing midway between the commercial banks and the National Savings Bank. To some critics this seems a bit too ambitious, for although clearly changes were needed, a complete move into the banking arena had not been foreseen. But the Trustee Savings Banks have in fact welcomed the report and appear to have swallowed it almost whole. . . . The ink was scarcely dry before they started to pressure the proofing through an index-

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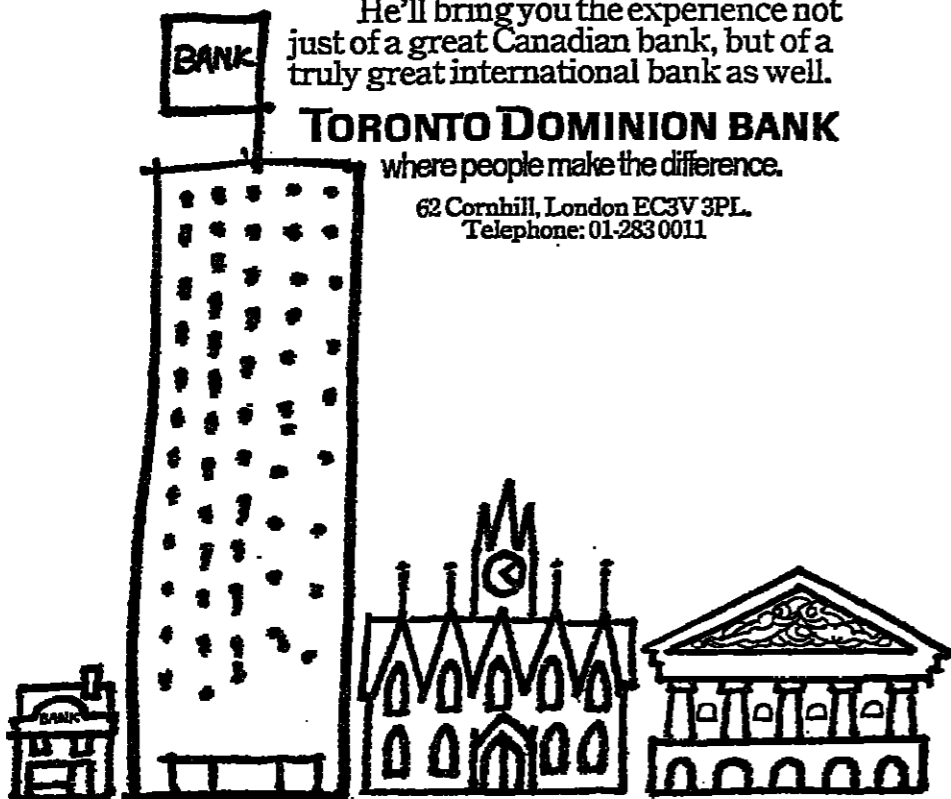
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## U.K. BANKING XXI

## Better prospects for National Giro

By CHRISTOPHER HILL

Like many another Government sponsored service, the National Giro's main problem at present is the memory of recent troubles. Since it was started in 1968 to provide a cheap and efficient money transmission service for the "unbanked" two-thirds of the population it has been criticised from all sides; has failed to arouse the public's interest as quickly as was hoped; and only just escaped being killed off by the Government because of its losses (£££4m. in 1971-72).

Since the reprieve, progress has shown a definite improvement and (partially due to the increase in charges last year), the Giro is now meeting its short-term targets. Sir John Eden, Minister of Posts and Telecommunications, told the Commons in July that Giro was contributing a surplus of £1m. a month to Post Office overheads in the period to end-June and was expected to break even in 1977. Having covered Post Office costs (counter services being the biggest item), this means that the Giro still has to cover its own costs and is still being closely monitored by the Government. It is also still being criticised by the sections of the public—a letter to the Financial Times in August again raised the hoary question of why Crown agents were unable to pay Government pensions into Giro accounts.

## Irritating feature

It is just this kind of irritating feature which leads to overall condemnation on the grounds that the private sector is more efficient. But Giro has been expanding its services and there are distinct signs that people and businesses are becoming more aware of the value of the Post Office's facilities. This especially applies to the branches which have one splendid advantage over the banks in that they are open all day Saturday. The result has been a 40 per cent. increase in Giro turnover to £211m. in the year to March 1973; a 20 per cent. increase in balances invested to £80m.; and the number of customers should now be getting towards the 1m. mark—judging by the 473,000 recorded in July.

So where does the Giro go from here? One of the vital factors is obviously vigorous management and, following the Government enquiry, Alfred Singer (Tesco's ex-deputy managing director and finance man) was appointed Board member of Giro in the Post Office. He only filled the chair in mid-August so he is still new to the job, but he reckons that the immediate priority is to build up Giro publicity again—it came to a grinding halt during the uncertainty of the Government enquiry. He is also "enamoured of the idea" of the Post Office's 22,000 outlets and intends to make full use of them in broadening the base of accounts. Moreover, he is convinced (from his Tesco experience) that there is "quite a lot of business" to be had from multiple retailers.

Groups like Safeway and Woolworth currently use the Giro for money transfer and one of the practical advantages over the banks is that it is not dependent on everybody having an account. And, in fact, the clearing banks have come round to the idea that by concentrating on money transmission the Giro is not taking the bread out of their mouths. Customers with clearing bank accounts still remain with the banks but also make use of Giro services. When it comes

to the push, the clearing banks would probably admit that they cannot profitably take care of all the money transfer requirements of the "unbanked" two-thirds and they certainly have a lot to gain by active co-operation with Giro when it comes to business organisations.

The Giro has also shot ahead when it comes to dealing with the public sector—like the Giro rent collection service for local authorities and the variable standing orders service. Taking the rents as one example, the Greater London Council announced in August that from October 1 it will be offering its Rents-Through-Giro scheme to all its 183,000 tenants, covering 80 councils and providing an annual cash flow of more than £100m. This follows the fact that a lot of councils are already using the Giro for rent collection. Unemployment benefits are now also paid by Giro and there are clearly great possibilities for all Government departments to make use of the system. One godsend to the ratepayer is the variable standing order service which was introduced in April. This enables him to sign an instruction giving the Giro authority to vary the amount of the payment when told by the local council that the rates have changed.

## More attention

This growing affiliation with the public sector is probably doing more than anything else to make people aware of the Giro. And it has received more attention than the Pay-through Giro scheme whereby customers have their pay credited directly to their accounts. With a fearful eye on profitability, Giro obviously has to be careful not to have too many small accounts which would be near-empty for most of the time. But it does have an overall social objective to "get money off the streets" and in November last year it introduced new special terms for revolving and fixed-term loans from Mercantile Credit; a new bridging loan scheme; and, for approved customers, an extension of cheque cashing to all post offices, with a Giro should not grab a good slice of Gold Card. More recently travellers' cheques and foreign currency were also made available through Giro in co-operation with Thos. Cook.

But, when all this is said and done, the Giro's need to achieve visible profitability has placed fetters upon its original social purpose and has aroused the anger of some commentators who point out that other examples of Government-backed projects (such as Concorde) seem less useful and involve vastly greater losses. There is also the question of keeping up with the European Joneses. All the West European countries (with the exception of Portugal, Spain and Ireland) operate Giro systems most of which have been established for a very long time. And Giro makes the point in its promotional booklet that it can handle all international transfers to and from Europe.

## Large accounts

One point about the well-established Continental Giro systems (Switzerland's started in 1906) is that size appears to be not necessarily the guide to profitability. In Norway, for example, the comparatively small number of accounts is balanced by the fact that a considerable proportion of them are large and profitable. Moreover, in a comparable country to the U.K. like France, over 10 per cent. of the population has a Giro account. The clue to profitability seems to be attracting a sufficient number of business and governmental accounts to increase the size of the average balance. And the success of the Agents Deposit Scheme (which allows retailers to deposit their daily takings at post offices) plus the extension of rent collection and variable standing order schemes shows that this can be done.

Of course, getting profitable accounts will eventually get the Giro more and more into the arena of the clearing banks which will obviously not like to lose too many of the plums. However, in one way the clearing banks cut their own throats by closing on Saturday. With properly managed finances, there is no reason why the Giro all post offices, with a Giro should not grab a good slice of the transmission cake—which fortunately is expanding all the time and will demand a lot more than the clearing banks have hitherto provided.

CONTINUED FROM PREVIOUS PAGE

## Savings banks

Treasury for discussions about the return of the ordinary department deposits which are required to go into the Fund for the Bank for Savings run by the National Debt Office.

What it amounts to is that the Trustee Savings Banks' Association has been under strong pressure from the grass roots to accept radical changes. And the advantage that the TSBs have over clearing banks is that TSB roots lie in providing a service to the small saver rather than mainly serving the commercial customer. They

have gone some way towards making changes on their own account (the introduction of the unit trust in 1968 was one example) and they have been pressurising for the ability to grant personal loans and to provide overdraft facilities. Page wants all this and more—including experimentation with mortgages and insurance—at the expense of the Government's "guarantee" and tax relief on interest paid to depositors.

## Strong reservations

The chances of the Trustee Savings Banks getting their way look strong, but clearly neither the Government nor the Treasury are going to give way at every point. There appear to be strong reservations about an index-linked bond and the Government is also keen to be seen giving National Savings—and the voluntary workers—its moral support. And Mr. John Nott, Minister of State at the Treasury told the Commons in July that the Government did not accept allegations that the terms of National Savings were unfair. In fact, there is justification for saying that the National or Trustee Savings Banks accounts (especially the Investment and Special Savings Accounts) compare well with the clearing banks were it not for the present interest rates crisis. The success of the new 8.5 per cent. British Savings Bond also shows that there is a demand for Government products pitched at the right level.

There are also the wider aspects to consider. For example, it would be naive to suppose that the clearing banks are just going to sit back and let the TSBs take over the small saver or that the building societies are going to welcome a new entrant to the house mortgage sphere. In the U.K. there are a number of deep-rooted "movements" and institutions competing for deposits (perhaps too many) and to provide similar services and it does not take much to upset the balance.

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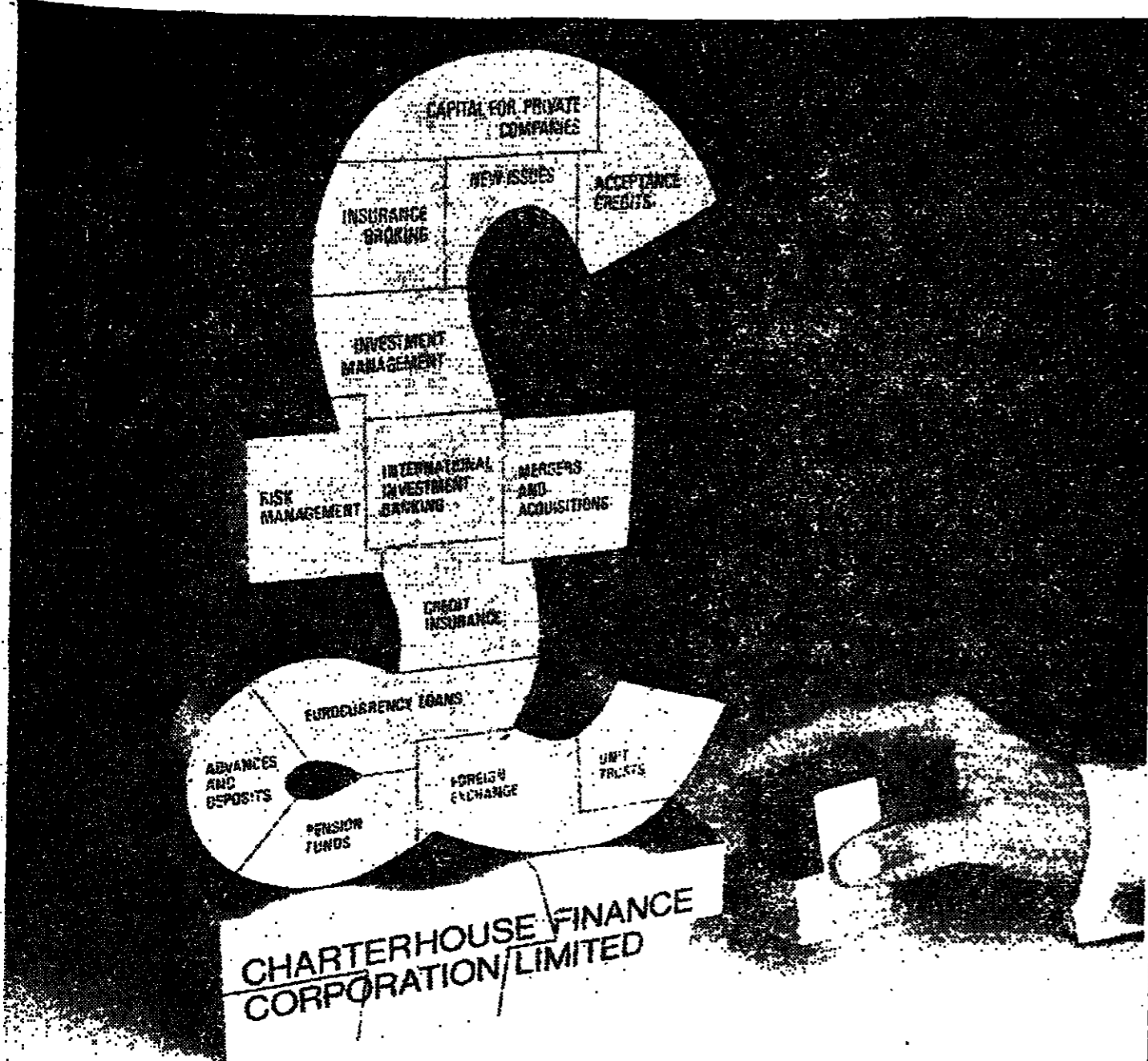
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## U.K. BANKING XXII

# Careful build-up of factoring services

By ANTONY THORNCROFT

In the last few years all the growth forecasts and turnover of such large organisations home and some will actually offer their business clients. So because some companies have far it is not an attraction that had unfortunate experiences they push particularly hard, but with factors and do not like the history of the industry does idea of an outside operation not encourage rapid growth, acquiring so much knowledge Factoring has had its setbacks and partly because the losses suffered by certain factors in the early years have made them all time becomes ripe for substantial expansion they are better placed than anyone to enjoy the boom.

But there are probably still many companies that have only the vaguest idea of the services that a factor offers. To some extent this is the fault of the industry for there are some organisations calling themselves factors that are little more than invoice discounters. But at least ten factors operating in the U.K. offer the triple package which distinguishes this financial operation.

In essence the factor becomes the accounting service of a client, taking all the invoices and chasing up all the debts. A factor will also usually provide 100 per cent. insurance against bad debts. Finally most factors offer a cash flow facility, forwarding up to 80 per cent. of the cash that customers owe one of its clients as soon as it is sent an invoice.

### Second place

There is an additional charge for this last service, usually 2 or 3 per cent. interest above base rate, and although for some clients this is the most attractive aspect of the factors operation in times of tight financial controls, in the current economic climate the cash element has taken second place to the service side of factoring. The cost of this depends upon the complexity of the business, and different factors might quote different rates according to their experience of the prospective clients' industry, but a normal fee for domestic factoring would range between 1 and 3 per cent. of gross turnover.

The bank which is most committed to factoring at the moment is the National Westminster which owns Credit Factoring. This company has had a slightly chequered history but in the last two years it has been completely overhauled and is now rivaling international factors for dominant position. Credit has over 40 clients and factors around £40m. worth of business a year—which gives some indication of the annual turnover of the companies that can usefully employ a factor. International itself is still the leading British factor, financing tool for industry—out and Lloyds holds a 75 per cent. of all proportion to the steady stake in it—the remaining 25 per cent. belongs to the First National Bank of Boston.

The other two major clearing banks are less involved. The Midland rather surprised the industry this year by severing its link with Citibank (they now own half of Midland Citibank Factors) and joined forces with Shield, which began life in 1963, making it the second oldest factor after International. Shield is owned by a number of City interests including Rothschilds. At the moment Barclays stake is through the Factoring Division of Barclays Export and Finance, and is slowly finding its feet in the industry. In addition many American banks offer a factoring service in London.

The introduction of the banks should mean that factoring will finally make an impact on the British business. To date it has never fulfilled the optimistic

forecasts and turnover has been due to the difficulty of such large organisations putting their minds to what is still a very small industry but by letting separate companies get on with it most of the groundwork has now been laid and certain banks, especially National Westminster, have already invested considerable sums. Credit Factoring, for example, has its own computer system which gives a daily up to the minute picture of clients' financial situations, and which can effectively cover overseas transactions as well.

### New competitors

The factors that are not controlled by the big banks do not see their new competitors completely dominating the business. Many companies will be reluctant to let their own bank also control such an intimate activity as handling their accounts. They might prefer the service of a smaller, more independent, specialist factor. But in certain areas, particularly in export factoring, the factors owned by the banks would seem to offer certain advantages. While other factors belong to the Factors Chain, a link of independent factors in most European countries, or to multinational organisations, like M and H Factors, the banks are forging reciprocal links with the really big foreign banks or, like Barclays, operate world wide on their own account.

Until now export and import business in factoring has been slow to grow and to-day only accounts for around 20 per cent. of the income of the top factors. But there has been real expansion since the U.K. entered the European Community and a service which takes the headaches out of exports has an obvious attraction for small companies entering this area for the first time. The factors offer the

same services overseas as home and some will actually put through their local contacts potential foreign customers of their clients.

By exporting through a factor a company can get on with the task of making things, or providing a service, with no worry about collecting the money owed irrespective of whether customers are in Portsmouth or Paris. And, of course, it is paid in sterling. Factors can also offer a shield against currency fluctuations. It is not surprising that the export business has doubled in the last two years and there are predictions that like continental factors, in time around half of turnover will be in goods or services moving across frontiers. In this expansion the banks are particularly prominent because they can offer some of the service in most foreign trading nations. Of course, a factor belonging to a bank will have the financial acumen of major customers in countries like Ceylon and Malaysia derives only a minor advantage but perhaps there are companies that would like the business factored in the developed parts of the world although the charges here might be higher.

All in all the banks have moved slowly in the factoring industry but some, at least, are now so committed that they will pick up new clients slowly and only if they feel the U.K. Factoring will never be a major occupation of the major banks but it should become a useful service to both their own (and other banks) customers and, judging by some recent profit figures, quite a remunerative activity into the bargain.

## Limitations of leasing

By JAY PALMER

In the short time that leasing has been around in Britain, it has grown—in terms of being a precise definition by encompassing a whole spectrum of known financing tools.

### Fostered mystic

In fact this deliberately fostered mystic of leasing has contributed, and probably still is contributing to a lot of the uneasiness that many potential customers feel. But the basic concept of leasing is an easy one; very simply it aims, in financing industry's capital expansion of all kinds, to separate the use of the asset from its ownership. Thus leasing is immediately separated from such parallel, financing concepts as hire-purchase or mortgages where the user will also hold an (eventual) title to the asset in question.

A lease, however, is simply a means of financing the use (rather than the ownership) of the asset, and in its case the title to the asset never passes on but remains in the hands of the financing agency, called

the lessor. However, the use of the asset, called the lease, has the full use of the asset during the period of the contract. The lease chooses the asset to his specific needs with the lessor only coming into the arrangement as a financing much in the same way that the financing department of a large company may only be called into the purchase of equipment to find the funds.

It is this selection of the asset by the lessee that distinguishes leasing from hiring. Within the leasing scene itself there are generally two broad categories of leases—those known as finance leases and those known as operating leases. Whereas a finance lease involves the agreed rental calculated to totally amortise the capital outlay by the lessor and give a profit, an operating lease is where the asset is not wholly amortised and the lessor does not depend on his profit for the rental collected during the cancellable period of the lease.

Continued on next page

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Typical of our many activities in investment banking, for example, is the second Asian dollar bond issue last October. This followed the first in December of 1971.

This \$20 million Singapore Government issue

was very successful, being sold mainly in the Asian capital market.

Similarly, we have also managed and placed U.S. dollar private bond issues among Japanese institutional investors for foreign borrowers.

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# Worrying times for building societies

By MICHAEL CASSELL

Events of the past few weeks have made it inevitable that current developments within the building society movement must be considered an important part of any examination of the U.K. banking scene.

Opinion as to whether recent decisions by the banks have been responsible for the movement's present difficulties vary considerably but it is undeniably the case that societies are being forced to examine their future role in the light of fundamental changes in their operating environment.

The current process of self-examination dates back to Competition and Credit Control, the Bank of England policy document first released in 1971 and designed to allow free competition between financial institutions in terms of attracting and lending money. The possible dangers for some fixed interest movements were appreciated and even provided for in the Green Paper. The now well-quoted Clause 15 read: The greater freedom afforded to banks by the proposals might lead them to compete for individuals' savings at present invested in public sector debt or in the finance of housing. The impact of such competition on savings banks and building societies would need careful consideration and the Bank of England would wish to discuss the matter with the banks. It might be that a need would be recognised, for example, to observe some limits on the terms offered for savings deposits.

## Far from clear

"The need for such limits would be open to reconsideration in the light of changed circumstances."

It is, therefore, very understandable that society representatives have now told the Government that the time has come for the implementation of this clause, although how that can be done is far from clear.

In talks with Treasury representatives, leaders of the Building Societies Association have pointed out that Bank of England action to raise interest rates in defence of the pound and subsequent moves by the

clearing banks have placed societies in an unenviable position. While in July net receipts for the movement as a whole reached record levels, provisional figures have shown that August receipts will be less than half the level of the previous month. Even taking into account the fact that August is a seasonally bad month for savings, societies say the worrying drop in inflow cannot be entirely accounted for by this factor. The situation, they claim, is a direct result of bank competition and the prospects do not appear bright.

## Banks' rate

Banks, however, have been equally anxious to point out that the 9.5 per cent. deposit rate they now offer was deliberately set below the 9.64 per cent. offered by societies. Who, they ask, is going to remove money from building societies because banks are now providing a less inferior interest rate than before?

They may have a point, but the situation with new money is certainly not so certain. Societies have been used to operating with a traditional margin of 2 per cent. or even 3 per cent. over other savings media, and they say there is evidence that the virtual disappearance of the differential—although it remains fractionally in their favour—is already costing them dearly.

The message left with Treasury officials at the end of last month was quite simple: As long as societies are forced to compete for savings against institutions offering record interest rates, then the rate charged for money lent out—that is mortgages—would have to be correspondingly high. A not inconsiderable number of society leaders have publicly aired their annoyance at finding the movement's ability to provide house finance seriously impaired by international developments, a view echoed by certain members of Parliament.

However, the Government's priorities in recent months have changed. Earlier this year, when it appeared that societies would have to raise the mortgage rates

to 10 per cent. for the first time, 11th-hour intervention by the Government saw the provision of a £15m. special grant to protect borrowers from such a politically emotive level.

The decision was not, however, greeted with the unanimous acclaim that the government might have hoped for. In fact, criticism was severe and any further intervention on similar lines has now been entirely discounted.

The mortgage rate has since been allowed to rise to 10 per cent. and there appears to be no rush on the part of the government to prevent it from rising to possibly 11 per cent. at the end of this week. It is not that the prospect of even higher mortgage rates are considered unimportant, simply that wider considerations now have to be taken into account.

There is, however, no doubt that if action to prevent a higher mortgage rate is not taken this week, some government move to provide a more stable supply of building society finance in future can be expected before long. Societies have their opposition to any such scheme well rehearsed and claim that it would quite simply prove impractical. There have been few enough times when enough surplus money to begin a stabilisation fund has been available and who, they say, decides when lending must be stopped so that funds can be set on one side for future use?

In the past, societies have claimed that the volume of liquid funds held at all times represent just such a stabilisation facility, although now some of them feel there is a good case for allowing their fairly 1950s and early 1960s, it never really amounted to much as a financing tool until the credit restrictions of the Labour past, even if a change in the law becomes necessary.

At one stage, it certainly looked as though the Government had been won over by bank borrowings but failed, their arguments but the idea deliberately or accidentally, is now clearly far from dead. With much of the industry facing a cash drought, State finance to get the fund kept it going for some time. But whatever the eventual outcome, societies must now accept development of significance

the fact that they will never again be able to operate in quite the same way. Their influence has outgrown their ability to remain totally independent and the least they can expect in future is a system of much closer liaison with government, not on the basis of a series of increasingly regular emergency meetings, the pattern which has emerged in recent months.

The short-term repercussions of the latest situation are certainly not very palatable for the prospective house buyer. Encouraged to buy his own home by government and building societies alike and anxious to take advantage of what has proved to be the best investment he can make, he now finds a very different reaction over the building society counter.

Such is the availability of funds, that societies have been forced to introduce widespread

mortgage rationing. The Alliance, for example, is reducing by 20 per cent. the money available for lending this month while the Leek and Westbourne—home of the 14 per cent. mortgage—is not making any new mortgage offers until after the next Building Societies Association meeting on September 14, the date when most people expect a further rise in mortgage rate to be announced.

But in the building society world-to-day, circumstances can now change overnight. Tomorrow, leaders of the movement once again go to the Treasury, this time at the Chancellor's request to discuss interest rates. Last week, the societies were not hopeful that any government action to avoid a higher rate would be forthcoming but anything could still happen. Four million borrowers will hope something does.

CONTINUED FROM PREVIOUS PAGE

## Limitations of leasing

but rather looks to the later stages.

But if the definition of leasing is perhaps slightly technical and hard to define exactly, the origins of the boom in it are even harder to pin down. Most people seem to feel that leasing, as we know it in this country, still prove a blessing.

The switch away from staggered depreciation coincided with the Government's plans for a new form of Corporation Tax. Since this basically lifted the levy from 40 to 50 per cent., many leasing companies saw that while they were going to have to (and indeed had in the past) taken all their tax reducing investment allowances at the lower rate of tax, future rentals were going to have to bear the higher rate. Now this made a mockery of the leasing companies' contract previously designed to produce profits—now they were going to slide into the red.

since then that has again helped leasing. This was the Government's switch to 100 per cent. free depreciation opened a whole new, previously unavailable, vista for future expansion. Very simply, the point was that even the leasing companies' parents were unable to swallow the allowances gained through leasing in any one year and disallowed cash flow calculations showed the disadvantages of carrying the allowances forward.

Their point was a valid one but all the same the move to wholly-owned leasing subsidiary to which—in return for a fee—the traditional lessor would pass new allowance carrying business. Thus our industrial company could substitute surplus cash for a lower tax bill and future rental income.

And the allowance game was an attractive one from the point of view of the lessee as well. The point was that although a company making capital investments can gain allowances against tax, they have little value if either the profits are too low to make full use of the allowances or if losses are being made. Through leasing operations, the allowances can be passed on where they can do some good with the leasee getting some rentals. And the Government does not seem to object working any tax-liable company in any as it does on the theory of not

## Brokerage basis

In order to continue existing as lessors, this forced them to look around for some answer—and they found it. And it was very simple; once the allowances gained had swallowed up either all that year's tax bill or as much of it as the parent thought politic, future deals would be done on a brokerage basis. Thus any tax-liable company in any as it does on the theory of not

35  
caring where the allowances end up as long as their existence stimulates either U.K. capital investment or U.K. export sales.

But that is only one advantage of leasing. Perhaps most obviously leasing avoids the need to tie up either capital or available credit lines in fixed assets. It enables proposed investments to be budgeted exactly against the fixed and pre-known rentals which also provide a hedge against inflation with the real costs falling over the years.

## Legal contracts

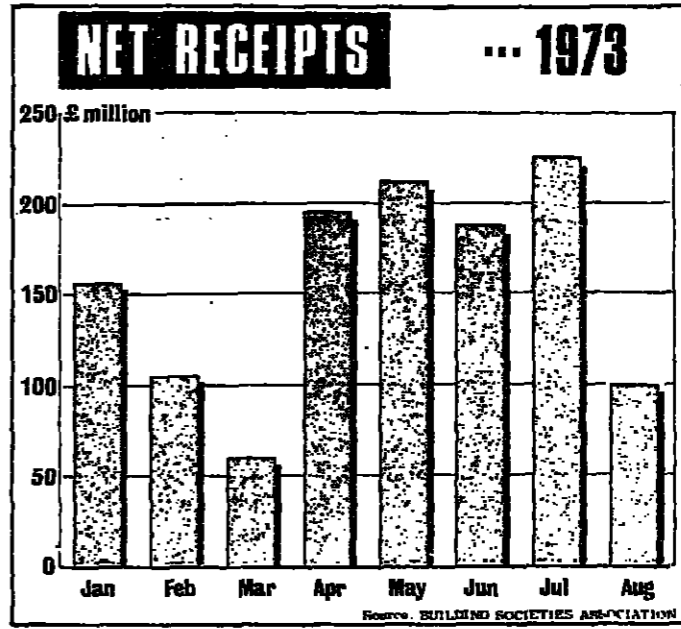
Furthermore existing leases are legal contracts which cannot be altered, curtailed or withdrawn in the event of changing economic conditions and, of course, the rentals themselves are a wholly allowable expense against Corporation Tax. Finally, leasing is a highly flexible financing tool which can be moulded and tailor-made to fit an individual lessee's requirements. Thus leases can be of varied time lengths with the repayment patterns weighted to either projected cash flow or seasonal fluctuations. The contracts can be drawn up to include residual values, obsolescence, front-end or rear-end loading and so on.

But just how long leasing will be able to remain thus flexible is a moot matter. It was pointed out that the base rate hikes at the beginning of August put further pressures on the leasing companies existing contracts and that this, combined with the existing pressures from the switch in the Corporation Tax rate, could drop many contracts into the red. With these sorts of developments and currency rates also shifting all over the shop, the day of the fixed rental contract could be doomed.

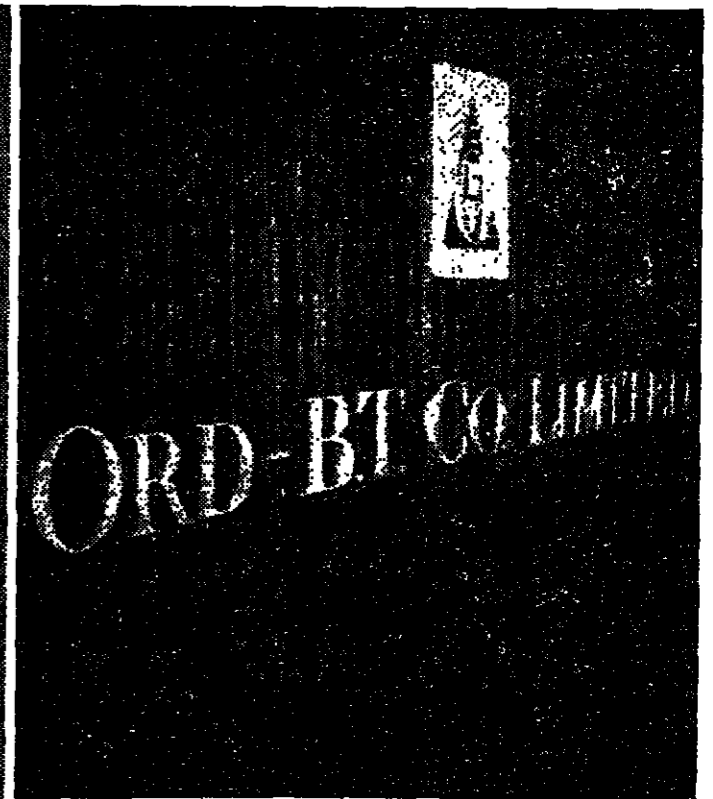
And what for the future of leasing? Well with Europe proving perhaps uninviting in comparison with the continuing growth prospects in the U.K. (and in any case complicated by the local fiscal and legal variations) there are really two important points.

First, with the capital investments required becoming larger every day, there is the question of whether or not any lessor can afford to continue going it alone. The answer could be for one enterprising company to set up a consortium of leasing houses in much the same way as the insurance companies.

Secondly, there is the question of sheer risk. Again with the sums involved becoming larger and insurance policies having to leave certain loopholes wide open, there would seem to be a valid argument for the creation of a re-leasing market. Until these possibilities are explored in some depth, the limitations on leasing are likely to remain.



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# How to choose an international bank.

As you know, even the most basic business activities take on a certain complexity overseas.

An international bank, particularly the right one, can help.

In fact, it can perform in ways even the most imaginative businessmen may not realize.

## But which international bank.

The problem is this: in many ways the great international banks are more alike than they are different.

They each maintain branches and offices around the world.

They each offer a full range of services, including many that banks less deeply committed to international banking do not.

They each have extensive knowledge of the intricacies, hazards, and opportunities of business in every corner of the world.

## The difference: a matter of style.

These capabilities are the fundamentals of international banking. The great international banks perform them. The others, the routine international banks, do not.

But the difference between the great banks is more subtle. And if they are *alike* in *what* they do, you must look for differences in *how* they do what they do.

These differences grow out of differences in management philosophy. And as in any business, they are critical.

To choose the right international bank, you must choose the management philosophy that makes sense to you, the one that fits your style of doing business.

## The competitive edge.

At The First, we can explain our management philosophy quickly and simply because this is the way we do business.

It's based on the recognition of two realities.

First, we consider international operations to be the most competitive aspect of business because only the most aggressive and certain managers extend their business, and risk, to international markets.

Second, only the greatest banks have the resources to compete and win in the international arena.

To serve the international businessman, and serve him better than our competitors, we have shaped our own management philosophy and style to a competitive edge.

## Is our style, your style?

You can begin to choose an international bank by asking yourself a few questions. Start with an easy one.

### 1. Does it seem to make sense to deal one-to-one with your bank's loaning officer?

The way some banks are organized, they apparently feel they need to rely on a loan committee for decisions. We don't. We want to move faster. Simpler.

We think the right loan makes sense to you and to us. And the way to find it fast is to let the loan officer work it out face to face with you.

Is time important?

Our overseas loan officers usually have a higher lending limit than the competition. The man you work with will probably have the authority to make his own deal. This means you are more likely to get a quick response to financial requests.

Our policy is: Forget the red tape, let's use common sense.

### 2. When you're making a decision, do you like to consider alternatives?

The best minds we deal with like to look at alternatives. And we think it makes sense.

Getting the best financial package must include looking at all the options. Perhaps what you need is our fast-growing International Leasing Corporation whose specialists are located right where the foreign investment action is—New York, London, Toronto, and Chicago. Or maybe you could use the specialized assistance of our London Merchant Bank. You might even find you can use several of our subsidiaries.

But, because our international organization is lean and compact, we are in the habit of looking outside of our own resources, too. We work with any strong local bank. And all of the great banks of the world. The result: we scout out more ideas.

### 3. Are you interested in new ideas?

We certainly are.

Time and again, we are able to compete for, and win a piece of business by showing a prospective customer an idea that is different.

Example: Now that East-West trade restrictions are relaxing on both sides, the government is encouraging U.S. corporations to take advantage of Eastern Europe's potentially huge market. We are the first bank involved with Exim financing arrangements with Poland and we have set up pipelines for future trade with other East Bloc countries.

The differences in international banking may be small. Which means we must look harder to find them. But even a small difference can make a big difference. Now, and in the future.

### 4. Do you think an international banker should be a tour guide?

We don't.

Granted he must know the economic climate of the area, government restrictions and the conventions of local business. Getting the maximum tax credits and exchange rates are often so complex, he needs vast banking experience. He must know how to build a favorable financial package for you, often with terms beyond the norm. That means experience in joint work with the EximBank, F.C.I.A., and P.E.F.C.O., The Private Export Funding Corporation which we were active in forming. And enough other information to fill a guide book.

But first of all, he must be a banker.

We feel our men overseas, man for man, have more basic American banking experience than our competitors. This explains why they are freer to use their own judgment and can act faster than other international bankers.

### 5. Do you want your international bank to be competitive?

If there is an edge to be found, we believe it should be put to work for you. We never hesitate to compete.

For example, we were the first American bank to start a wholly-owned merchant bank from scratch in the city of London. Competing with the great historic merchant banks right on their own doorstep gives one a certain confidence. It also gives the flexibility to handle Euro Commercial Paper and Euro Bonds for overseas corporations.

And proves to us again that the right idea, and the courage to pursue it, is worth several imitative ones.

## The freedom to compete.

Overseas we are able to operate in this direct and pragmatic way because we have complete control of our offices and branches. This gives us the authority and flexibility to operate in our own very responsive and competitive style. It gives you the advantage of prompt action and a lasting commitment without the delays and restrictions often imposed by partners.

We have another edge because most of our international managers have experience in our domestic lending operation. Many of the Nationals running our overseas business are trained here, also. We know how they perform, and how they implement our competitive philosophy.

## The results: growth tells the story.

This aggressive posture seems to work. Since 1967, we have opened 24 new branches and offices overseas. The growth of our loan volume in that period is a startling 527%. (And having seen what a competitive effort can accomplish, we have no intention of easing off).

## The company you keep.

This growth comes from both foreign and domestic companies, from the largest companies in America to those outside the Fortune 500.

One of our oldest clients, a heavy construction equipment manufacturer, was perhaps the first great American multi-national company; among the newest is a foreign manufacturer of rotary engine automobiles.

Our growth in loans, and other services, is, we think, the result of two facts.

## Back to basics.

First, we can do anything any international bank can do.

And second, we intend to do it faster or better or more certainly, because we are managed and organized to compete.

If you intend to compete, we think alike.

**First Chicago**   
**You compete. We compete.**

The First National Bank of Chicago, Member F.D.I.C., is a subsidiary of First Chicago Corporation, and has installations in Amsterdam, Athens, Beirut, Brussels, Dublin, Düsseldorf, Frankfurt, Geneva, Jakarta, Kingston, London, Madrid, Mexico City, Milan, Nairobi, Panama City, Paris, Rome, São Paulo, Singapore, Stockholm, Sydney, Tokyo and Toronto. In New York: First Chicago International Banking Corporation. First Chicago International, Los Angeles. First Chicago Leasing Corporation: installations in Chicago, New York, London and Toronto.

# When the witch doctors disagree

IN THE PREFACE to his book, Keynes referred to the "deep divergences of opinion between fellow economists which have of the time being almost destroyed the practical influence of economic theory, and will, until they are resolved, continue to do so." We are once again in a similar state, not in relation to the whole of economics, but to that part of the subject (which is much smaller than most people think) relating to immediate issues of monetary policy.

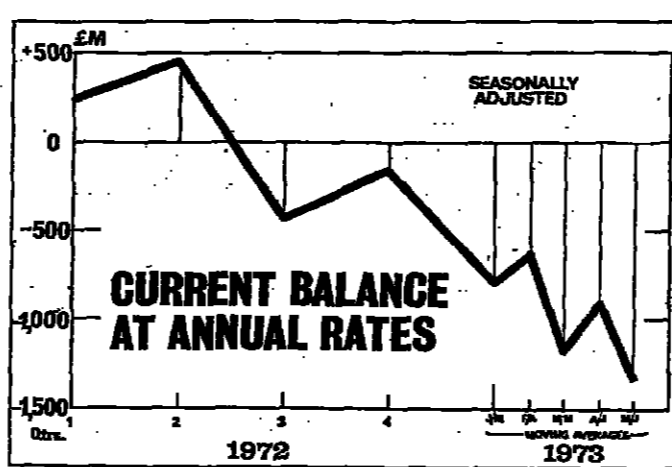
Consider the present spectrum of opinion. At one end, bodies such as the National Institute show that the boom will cool on its own accord and that the Government should concentrate entirely on income policy. At the other end, Wynne Godley and Francis Cripps of the Cambridge Economic Policy Group, whose views normally appear in *The Times*, argue that less severe emergency measures are introduced without delay, we could end up with no reserves, large debts, and most unpleasant devaluation charges leading to "unemployment more severe than we have encountered since the war."

The suggested preventive measures include drastic public expenditure cuts, the reintroduction of hire purchase restrictions and direct controls on bank lending, an increase in corporation tax and (in default of general payroll subsidies) controls to cut £500m. from the imports bill. With fully utilised professionals in such starting point of the Godley-Cripps analysis goes back to a

truism which Professor Harry Johnson enunciated as early as 1956: "A deficit in the flow of current overseas payments is, in Johnson's words, equal to the difference between the value of the country's output (its national income) and its total expenditure." If the economy is already at least fully employed, a deficit of £1,300m. per annum (which we are now running) cannot be corrected without a reduction of expenditure in relation to output of a considerable size.

This is admittedly a blinding revelation of the obvious, but it is still not taken into account explicitly by the great bulk of professional forecasters and commentators. How else can one explain the failure to emphasise that a fall or levelling out of import prices—from which so much is expected on the balance of payments front—will increase consumer spending by a corresponding amount, and do little to remove the excess demand which is at the root of the trouble?

As for incomes policy, it cannot possibly serve as an instrument for limiting demand if—as its foremost advocates insist—wage curbs are paralleled by at least equal curbs on the prices side. Its strongest supporters, such as the National Institute, see it as a weapon for acting on costs. (One must add that some absurdly exaggerated estimates of its potency, even in this direction, have recently been put into circulation.) The required reduction in the ratio of expenditure to output could, in principle, come about through an increase in the per-



sonal or corporate savings rate (after providing for capital investment). Failing such a change in the private sector, the elimination of the deficit requires a very large cut in the public sector deficit.

It is difficult to see why the personal savings rate should rise except in the context of a complete collapse of the housing market which the Government would rightly wish to avoid. As far as the corporate sector is concerned, the main rise in profits which could provide extra savings, has probably taken place already, and from now on a very rapid rise in capital spending—which it would be undesirable to do more than moderate—will absorb a great deal of the cash flow. There is on this view little scope from acting directly on Government spending or taxes.

The Godley-Cripps analysis suggests that if this is not done, we might for a time be able to

bankruptcies of otherwise profitable enterprises.

Even if the deficit is cut, we will still need a firm monetary policy to make the fiscal curbs stick, but the effect of such a policy on interest rates will be less severe.

Public sector spending, especially on building and construction, is well below target because of supply bottlenecks and delays. But it is fallacious to suppose that this mitigates the need to cut planned expenditure. For if the contracts are placed and not fulfilled, attempted spending will still be too high and the demand pressures are still likely to spill over into the balance of payments. There is therefore excellent sense in the "Cambridge" proposal for an immediate moratorium on new public sector contracts and other curbs designed to reduce government spending by £600m.

## Credit market

The further suggestion of a return of HP limits and overdraft ceilings is, however, objectionable. Not only would this involve throwing away all the gains of a more competitive and less cartelised credit market, but what is admitted to be a very short term effect; but there is every reason to believe that such controls would leak badly.

The big change since they were last in operation has been the vast proliferation of financial institutions and secondary markets. The move away from direct controls was due not to free market doctrine, but to under control and supplies readily available. The once- and Johnson) Allen and Unwin chronic U.S. payment deficit 1968.

and Japanese surplus are already disappearing under the influence of appropriate financial and exchange rate policies. It is one to believe that the U.S. price I would apply to other countries? The main Godley-Cripps argument for this suspicion is the continued rapid drop in the U.K. share of world trade in manufactures in the first half of 1973—a period, when as they themselves stress, the economy was suffering from "overheating" and severe supply constraints.

## The price

If the adjustment to a new balance between home and overseas demand requires a short period of statistically measured "growth" slower than is theoretically possible, this is a price I would willingly pay. A spurious "expansion" based on forcing consumers to buy products heavily protected from foreign competition is the worst possible recipe for long term "growth" in any worthwhile meaning of that overworked term. If one accepts the ultra-pessimistic view of Britain's ability to compete overseas at any politically feasible exchange rate, then it is difficult to see how import controls could ever be removed. One cannot assert that normal fiscal and monetary remedies have failed when they have not even been tried.

"Towards a General Theory of the Balance of Payments" reprinted in *Readings in International Economics* (ed. Caves and Johnson) Allen and Unwin 1968.

## Labour News

### Union official will fight dismissal

BY ROY ROGERS, LABOUR CORRESPONDENT

MARK YOUNG, the deposed official and Plumbers' Union national officer, is to seek advice on his union's decision not to reinstate him.

In addition, he is expected to sue the union with other TU officials for whom he acted as shop stewards in a campaign to negotiate contracts of employment with the executive. Mr. Young, who has just turned from a holiday, said before going away he received a letter from Mr. Chapple, EPTU president, telling him of the executive's decision and giving him seven days' notice. He claimed no funds were given for his dismissal which had robbed him of a livelihood.

A consistent critic of the union's leadership, Mr. Young

was runner-up to Mr. Chapple in the presidential election last year. He will be one of the main contenders for the general secretaryship, formerly held by Mr. Chapple, when and if it is put to ballot.

Mr. Chapple and his executive are reluctant to put the general secretaryship to ballot. They claim that an additional elected national official (especially one opposed to amalgamation like Mr. Young) could only hinder merger talks taking place with the Amalgamated Union of Engineering Workers and the General and Municipal Workers' Union.

Opponents of Mr. Chapple interpret this as fear of their standing a good chance in any election for the post. Similarly, they see Mr. Young's dismissal as a move to weaken his chances in an election.

## Minister replies to food price critics

SIR GEOFFREY HOWE, Minister for Trade and Consumer Affairs, yesterday rebuked Government critics by saying that the £1,400m. a year to roll back all food prices to the levels of 12 months ago. He also rejected suggestions that the Price Commission was a rubber stamp body.

"Less than a third of applications have been allowed in full," he said in a statement to his Reigate, Surrey, constituents. "The remainder have been either rejected, withdrawn or reduced." "Almost 600 voluntary price reductions have been secured as a result of spot checks."

"The Price Commission has achieved very substantial savings for consumers in preventing price increases and securing reductions." One of the achievements of the last three years allowed in full the economy out of the groove of low growth, low profit and low investment and set it on a new growth path. Such a major change could not be achieved without difficulty. Yet the "faint-hearted and fearful" were faltering at the first signs of stress.

The TUC had suggested that £300m. could be devoted to subsidising food.

## Bid to resolve Raleigh strike

TALKS ARE to start to-day in an effort to resolve the strike by 250 cycle workers at Raleigh Industries, Nottingham, which has led to 500 workers being laid off. If the talks fail, more will be laid off within the next few days.

Hopes of a settlement increased after week-end talks between union representatives and the East Midlands Engineering Employers' Federation.

## Special sale at Tattersalls

BY MICHAEL DONNE

TATTERSALLS WILL hold a special sale at Newmarket on the evening of Saturday, December 1, before the opening of the Newmarket sale. On arrival they will be available for inspection at Tattersalls Park Road, Newmarket.

A brochure containing full details of their pedigrees and performances will be published shortly.

Three of the fillies in the sale

have in their pedigrees La Truisme, the outstanding brood mare from which many classic winners have stemmed.

The consignment includes fillies closely related to such horses as Nonchalant, Dablis, Buckpasser, Hindostan, Pardao, King Emperor, Alycidon, Upper Case, Run the Gauntlet, Amber Rama, Typecast and Gay Style. They are being prepared for sale by Mr. L. Clay Camp at his

## Competition for bank staff membership

CALL for the National Union Bank Employees to start merger talks with staff associations in the clearing banks was made over the weekend by the union's South Wales area unit.

This follows the announcement of the plan for the Association of Scientific, Technical and Managerial Staffs to move into clearing bank field by merging with the Midland Bank Staff Association.

Such a merger would amount

to ASTMS invading NUBE's territory and was described by NUBE's South Wales council as "retrograde step" which would entangle weakening relations between bank staff associations.

The call for NUBE to open

talks with staff associations will go to the next meeting of the union's national executive.

The ASTMS-Midland merger plan was backed over the weekend by ASTMS national executive which also received reports that some NUBE members in the Midland Bank had approached ASTMS officers about switching their membership.

Meanwhile, a pay claim covering more than 5,000 bank messengers in Barclays, Lloyds, Midland and Williams and Glyn's banks is being lodged next week to give them a £1,787 per annum salary at the age of 18. The union is asking for a 10 per cent increase in the clearing banks is £1,188 after one year's service plus a £30 per annum increment every five years.

## New exchange rates 'may aid equilibrium'

BY IAN DAVIDSON

THE EXCHANGE rate changes of recent years are likely to bring about some lessening of the balance of payments disequilibrium during 1973, according to the annual report of the International Monetary Fund, but a substantial measure of readjustment is not to be expected before next year.

The report shows that official reserve holdings of all member countries reached 144,600m. Special Drawing Rights (SDR)—an increase of 91 per cent. since the end of 1969, and a rise of 23,100m. SDR since the end of 1971. (One SDR equals one pre-Smithsonian dollar.) They are, moreover, less well equipped to deal with the uncertainties created by exchange rate flexibility.

Editorial comment, Page 12

## Talks over new register for engineers

THE DEPARTMENT of Trade and Industry and the Society of Engineers are holding talks to end the deadlock over the new engineers' register, which many fear will reduce them to "second class citizenship" with serious loss of earnings.

The controversy, which is splitting the engineering profession, centres around the Registration Board launched by the Council of Engineering Institutions. This divides engineers into chartered and technician grades.

The society said over the weekend that it was seeking the reason for ignoring a directive given 21 years ago by Mr. John Davies, then Secretary for Trade and Industry, urging them to prepare a scheme to admit suitably qualified engineers who were members of other institutions outside the amalgamation of 15 chartered bodies.



## A lean international bank can move faster than a fat one.

Fat international banks have lots of things to slow them down. Like committees. (Bless their little hearts.) And review boards to review the decisions of the committees. And people. Hundreds of people whose principal job seems to be to refer things to other people.

If you've ever done business with a fat bank, you know what we're talking about. You're also in a good position to appreciate an international bank like Marine Midland. We're a "lean" international bank.

Meaning we don't have a lot of layers. Or echelons. Or sprawling organization charts.

We just have a tight, dedicated core of international banking professionals. Starting with our local representatives in major financial capitals of the world. And ending with our top man in New York.

And all the parts work together. Any one of our local representatives can pick up the phone and call our top man in New York any time he wants. (They even call each other by their first names.)

The result is a bank that's fast instead of fat. A bank that would rather cut through red tape than create it. A bank with quick reaction time. (We recently closed a big loan deal over the weekend. The only thing other banks closed were their offices.)

If Marine Midland sounds like the kind of bank you're looking for, maybe you should talk to us. Before any more time runs out.

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NEW YORK  
We're becoming a big international bank by not acting like one.

## Views differ on rail pay talks progress

UNFLINCHING VIEWS on the progress of talks on a new pay structure for 260,000 British Rail workers emerged over the weekend.

Mr. Sidney Weighell, senior assistant general secretary, of the National Union of Railwaymen, told a railmen's conference in Scotland yesterday that he talks were in their "final stages" and he hoped for agreement within two weeks so that the proposed deal could go before the Pay Board for approval.

Meanwhile, the Associated Society of Locomotive Engineers and Firemen is seeking improvements on the latest AS offer, which would give drivers up to an extra £820 a week over the next few years—and is warning of possible industrial action.

Today the ASLEF executive hopes to consider demands from branches for official industrial action to support a claim for a 7.5-week increase on the £33-week minimum driver's rate, under the restructuring.

drivers' pay structure working party is scheduled for later this week and BR has agreed that any outstanding differences should then go before the railway staff national council in the industry's next month.

Giving details of what is on offer, Mr. Weighell said yesterday that the plan involved phasing out all bonus and mileage payments by January 1976, with compensatory wage increases of between £1.55 and £2.65 a week.

Increased including the introduction of high-speed trains would be in the order of £150 a week for drivers, and similar amounts for other rail trades.

Shifting rates would produce existing rates would produce payments of between 80p and £1 a week (4 to 6 per cent.).

In addition, partial white-collar status would apply to railmen with 15 years' service and would be introduced in stages by 1978.



## Gold Fields in rich new uranium find

**BY LODESTAR**

DESPITE the policy of the new Australian Government which seems designed to dampen down the still much-needed exploratory work in uranium, the world's oldest non-vital of the minerals age-old enthusiasm has not been entirely extinguished.

Nor has the feeling that overseas links are vitally needed not only for markets but also for capital. The first concrete evidence comes from the Sydney-based Pancontinental company, which has just announced that last Wednesday, it has effected an outside deal whereby Consolidated Gold Fields, Australia's largest uranium producer, has sold a 25 per cent share to the short holding.

This is a 68 per cent owned subsidiary of London's Consolidated Gold Fields, which has just moved into its first uranium plant outside South Africa where its stake in this number one energy source is expected to be the future in any case small.

prospecting costs. It can also be expected to play a major part in marketing the eventual production. It is with this backing that Toronto lawyer Tony Grey has been able to secure the first part of call will naturally be Tokyo—on a round the world sales tour.

Grey welcomes the Gold Fields move—it provides a Pancontinental with some fresh funds and, presumably, will be a helpful factor when further money is required. A round the world viewpoint it also seems as though the deal may mark the end of the peddling out of Pancontinental by the American development agent. Along with practice, all down-under mining issues since the new Labour Government delivered its latest tax blows in the April Budget, the Pancontinental have been a depressed market.

On Friday, however, they rallied 6p to 33p. On the basis of Mr. Grey's opinion that the new fund is going to be "much more than a mere top-up" to the powerful Gold Fields and Getty links it looks as though Pancontinental offers that rarely indeed these days, a share with some

guide to South African gold shares for London brokers Cohen de Smitt Greener Dreyfus, they only consist of East Driefontein, Harmony (formerly Fairview), Kloof, Kloof and Western Deep with Kinross, Doornfontein, West Driefontein and St. Helena as what may be termed possible future developments. The final dividend declarations by the Orange Free State mines in the Anglo American Corporation group are bound to be a factor whether or not they live up to the forecasts set out here on August 20. Even so, it is the free market bubble price which is the most influential in the prime share market influence.

At least on this should not go unnoticed. For the first time since the outbreak of our weekly Leaders and Largards table of 45 indice movements since the beginning of the year showed only one up and one plus on Thursday. It was, of course, gold, and the plus was a thumping 63.3 per cent. So once again mining markets have gone up. The usual have, I wonder which the next one will be. Any suggestions?

## Gold shares

Last week it seemed as though the free market bullion price and the South African gold share market were beginning to resolve everybody's problem by breaking out of their recently indecisive mood into an upward direction. That there will be an eventual break one way or the other is inevitable. Analysts' views could differ as to which way it will be.

But on one thing they mostly agree. This is that on the basis of a gold price received of \$95 an ounce which is a fair enough basis, the South African share is difficult to make out a statistical projection that makes many shares look cheap at current prices. In other words, a bullion price of \$95 from an investment viewpoint, as distinct from a chance-your-arm short-term gamble, has got to be putting his faith in gold going up not down. Present price is \$165.5.

## Exceptions

Are there any exceptions? Well, to take one compensation, that David Potts, who has just completed the second 33-page edition of his

my reference to South African Land last Monday (the shares rose 25p to 220p last week) will find in the way of compensation, including mine, set out on page 672 of South Africa's Financial Mail of August 31.

That old favourite 'Winkelbaas' is also due to declare their final dividends this week. It could be a good one. Estimates range from 27 to 32 cents. The latter could make an 1974 dividend (30sp) against 29 cents for last year.

Another good payer should be St. Helena. There seems to be a 100 per cent possibility that in this case that the final should be 73 cents to make 120 cents (74p), well up from last year's 90 cents.

The company disappointed the auditing committee with its 1973 dividend. It will be interesting to see whether the final makes amends.

That speculative gold price high-fyer Lorraine could also spring a surprise. Its purpose was with 1973 payment of 9 or 10 cents against a humble 2 cents for the year to last September. It has to be remembered that part of the profits have to go towards repayment of the loan from Anglo American.

## July wool exports up 76% at £21.1m.

When the tourists' backs did not get away, they ruined many promising chances by either missing or dropping balls. Jan Webster, the scrum half, was again the English star. He set up many promising moves, delivered long accurate passes and made several intelligent breaks on his own. He was also sound in defence. He stayed cool under pressure and cleared repeatedly from dangerous situations. When the tourists seemed set to sweep upfield with the backs in possession, it was frequently Webster who got to Cooper.

Cooper, the defence, accelerated and fed Squires who, coming up like a thunderbolt, raved over in the corner. Then, the English forwards

## July wool e

# 76% at £21

EXPORTS OF U.K. wool textiles in July at £21.1m. were again

EXPORTS OF U.K. wool textiles  
in July at £21.1m. were again

## FINANCIAL TIMES STOCK INDICES

	Sept. 6	Sept. 6	Sept. 5	Sept. 5	Sept. 5	Aug. 31	A Year ago
Government Secs.	63.56	63.17	63.40	63.99	64.00	64.30	71.78
Fixed Integers	63.80	63.65	63.95	64.23	64.20	64.59	73.81
Industrial Ordinarys*	414.8	408.6	404.8	405.1	409.9	414.4	509.9
Gold Mines	166.8	169.5	168.3	160.4	158.7	154.7	108.5
Ord Div Yield %	4.56	4.68	4.69	4.64	4.60	4.55	3.22
Earnings Yld. (Full) (c)	10.17	10.58	10.39	10.30	10.28	10.17	14.92
P.E. Ratio (incl) (a) (b)	13.41	13.14	13.13	13.15	13.27	13.42	120.33
Dividends (incl) (a) (b)	5.683	5.882	5.822	6.401	6.293	6.581	6.525
	710 a.m. 407.7	711 a.m. 407.9	710 a.m. 408.9	710 a.m. 411.1			
	3.40	3.41	3.41	3.41			
	Latest Index 01.046 8822.						

(a) Based on 5% Corporation Tax. (b) N/A=13.17. 1 On old basis.

### HIGHS AND LOWS

	1973		Since Completion		Sept. 5	Sept. 6
	High	Low	High	Low		
Govt Secs.	72.08 (22/1)	63.16 (8/9)	127.4 (9/10)	63.16 (8/9/73)	Duty- Edged Industrial	127.0 125.5
Fixed Ints.	73.85 (22/1)	63.67 (8/9)	110.0 (10/4)	63.67 (8/9/73)	Speculative	92.8 155.1
Ind.Ord.	500.5 (22/1)	404.8 (9/9)	408.6 (10/5/73)	404.8 (8/9/73)	5-day Avg- Edged	129.0 127.4
Gold Mines	203.5 (8/7)	93.6 (12/1)	203.5 (8/7/73)	43.5 (10/1)	Industrial	122.2 127.9
					Totals	138.2 142.5

Basic 100 Govt Secs. 12/10/73. Fixed Ints. 12/22. Ind. Ord. 1/7/73. Gold Mines 1/7/73.

## ACTUARIES INDICES

	Sept. '91	Sept. '92	Sept. '93	Sept. '94	Sept. '95	Aug. '96	A Year Ago
Industrial Group.....	166.91	164.98	164.57	165.47	166.75	167.90	208.81
600 Shares.....	176.80	173.81	173.51	174.05	173.89	176.65	217.61
Div. Yield pct.....	4.20	4.34	4.51	4.34	4.51	4.88	3.50
P/E Ratio (avg).....	14.48	14.61	14.29	14.33	14.44	14.56	16.13
All Shares.....	174.28	172.59	172.59	173.51	173.65	175.97	216.03
Commo Yield pct.....	11.75	11.79	11.72	11.52	11.51	11.43	9.55

1996 Sept. Data

## Public Works Loan Board rates

(Effective from September 8, 1973)

Years	Quota loans Repaid		Non-quota loans Repaid	
	By installments	At maturity	By installments	At maturity
1920 to 1925 .....	11½	11½	13	12½
1925, up to ten .....	11½	11½	12½	11½
1925, up to 15 .....	11½	11½	11½	11½
1925, up to 25 .....	11½	11½	11½	11½
1925 .....	11½	11½	11½	11½

## RECENT ISSUES

## EQUITIES

[illegible]

## FIXED INTEREST STOCKS

Contract No.	Unit No.	Year Began Work	1973 High, Low	Stock	1973 Price
727	F-1	72	57 1/2	57 1/2 Bentley (Wm.) 845 Cuv. Ind. Pr.	87 1/2
728	F-1	72	57 1/2	57 1/2 Quoting (Wm.) 817 Cuv. Cuv. Inc.	87 1/2
729	F-1	72	57 1/2	57 1/2 East Anglian Water 72 Ind. Pr.	89 1/2
730	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
731	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
732	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
733	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
734	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
735	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
736	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
737	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
738	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
739	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
740	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
741	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
742	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
743	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
744	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
745	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
746	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
747	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
748	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
749	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
750	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
751	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
752	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
753	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
754	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
755	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
756	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
757	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
758	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
759	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
760	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
761	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
762	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
763	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
764	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
765	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
766	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
767	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
768	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
769	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
770	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
771	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
772	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
773	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
774	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
775	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
776	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
777	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
778	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
779	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
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781	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
782	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
783	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
784	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
785	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
786	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
787	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
788	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
789	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
790	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
791	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
792	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
793	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
794	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
795	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
796	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
797	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
798	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
799	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2
800	F-1	72	57 1/2	57 1/2 Waters (Wm.) 817 Cuv. Cuv. Inc.	89 1/2

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Cedar Holdings	11
Charterhouse Japan	11

Co-operative Bank .....  
Corinthian Securities .  
Credit Lyonnais .....

G. R. Dawes	11 1/2%
Dawney Day	11 1/2%
Duboff Brothers	11 1/2%
D. E. Co. Ltd.	11 1/2%
Duncan Lawrie	11 1/2%
English Transcont.	11 1/2%
First Maryland	11 1/2%
FNFC	11 1/2%
■ Entico Gibbs	11 1/2%
■ E. J. Glick	11 1/2%
Greyhound Guaranty	11 1/2%
■ Guinness Mahon	11 1/2%
■ Hambros Bank	11 1/2%
Hawtin & Partners	11 1/2%
■ H. H. Samuel	11 1/2%
■ C. H. H. Co.	11 1/2%
Julian S. Hodge	11 1/2%
Indian International	11 1/2%
Jacobs, Kroll	11 1/2%
Keyser Ullmann	11 1/2%
■ Kiewit	11 1/2%
London & County Sec.	11 1/2%
London Mercantile	11 1/2%
■ Samuel Montagu	11 1/2%
■ Mortgage Mercantile	11 1/2%
■ Wall	11 1/2%
Morris Wigram Ltd.	11 1/2%
Northern Comm. Tst.	12%
■ Rea Brothers	12%
■ N. M. Rothschild	12 1/2%
■ St. Francis	12 1/2%
E. S. Schwab	11 1/2%
Security Tst. Co. Bhm.	11 1/2%
Standard Guarantee	11 1/2%
■ Sterling Credit	11 1/2%
■ Sterling Industrial Sec.	11 1/2%
■ Swiss-Israel Trade Bk.	11 1/2%
■ Twentieth Century Bk.	11 1/2%
Wallace Bros. Sassoon	11 1/2%
Whiteaway Laidlaw	11 1/2%
G. T. Whyte	11 1/2%
Wintrust	12%

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Deposits 10 1/2%.

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## Form and content

S. 25 of the 1968 Insurance Act contained provisions designed to regulate the nature of insurance advertisements, but as soon as the regulations authorised by s. 41 of the new Act are made, the s. 25 provisions will lapse. What we do know is that the new regulations will apply to the form and content of insurance advertisements in the newspapers, the radio, the television, the press, the brokers and other intermediaries will be just as much at risk as insurers themselves. It seems, however, that the publisher will not so be at risk unless he assists in the preparation of an offending text. But the advertising agent will have to watch his step.

## Tanker rates buoyant despite oil problems

**BY JAMES McDONALD, SHIPPING CORRESPONDENT**

THE oil tanker charter market last week maintained its exceptional strength but to some extent the very high freight rates being paid are overshadowed in some sectors of the market by uncertainties about future oil supplies as well as currency problems.

There has been no sign of any slackening in demand for the tankers remaining in the Persian Gulf in September with

freights increased substantially. For example, has fixed for five years' charter rates for ships, including a 130,000-ton tanker, at the equivalent of \$100 and a 312,000-ton tanker at the equivalent of about \$125.

An indication of how tankers freights have continued to rise substantially in most cases over the past month

## London tea sales

[illegible]

## Hong Kong land to borrow \$50m.

By Mary Campbell

inquiry remains at a very high level and for charterers who must fix this month further premiums will have to be conceded."

From other areas rates also were buoyant with Mediterranean U.K.-of-Continent rates at about Worldscale 338, and from Algeria to the U.K.-Continent about 315. Carlsberg to the U.S.A.C levels at the end of the week stood at about Worldscale 315.

In the period charter market, with rate levels steadily becoming higher for early deliveries, the fixing of large tankers for forward delivery has been



**Yield**

	Yield %	Yield
--	---------	-------

[illegible]

Japan & Far East Sec. Man.			
Consolidated Contract, P.O. Box 58, Hong Kong			
NAV per share Sept. 1984	0.56		
Jardine Fleming & Co. Ltd.			
12, Pedder Street, Hong Kong			
Jardine Matheson (UK) Ltd.	1.00		
10, Abchurch Lane, London EC4N 3DF, U.K.			
NAV Aug. 81 - Rev. 1,048.82			
June 1st Sept. 84	1.00		
Jersey Finance Co. Ltd.			
2, Bili St. St. Helier, Jersey JE1 1BB	0.34		
117 1st/6th Fl., US\$16.67			
Jersey Svcs. Mkt. Unit Tr. Mgrs. Ltd.			
10, Abchurch Lane, London EC4N 3DF, U.K.			
J.S.B. Units - 122.2 127.26	4.95		
Prices at Sept. 5. Next mtg. due Sept. 12			
Keyser Ullmann Ltd. Ltd. Agts.			
10, Abchurch Lane, London EC4N 3DF, U.K.			
Possibility - Sw. Fr. 47.67	1.13		
Keyserlin Int. - 27.61 5.68			
Korabely Int. - 27.61 5.68	0.65		
Korabely Europe - 295 5.64	1.95		
Korabely Int. - 27.61 5.68			
Korabely Japan - 27.61 5.68			
King & Shazson Mgrs. (Jersey) Ltd.			
50 Queen St. St. Helier, Jersey, G.I. 2884			
G.I. Finance Unit - 118.8 118.8	9.50		
Next mtg. due Sept. 19.			
Slater Walker & Co. Mgrs. (Jersey) Ltd.			
50 Queen St. St. Helier, Jersey, G.I. 2884			
Growth Income: 1995 208.6 - 1.4			
NAV per share Sept. 1984	0.56		
Value at Sept. 7. Next Fed. Sess. Sept. 12			
Standard & Poor's Int. Fds. S.A.			
14, Alquerre, Luxembourg			
NAV per share Sept. 1984	0.56		
(C) Standard & Chase H.S. C.I. Ltd.			
St. Helier, Jersey	0.34		
Cap'l Trust Rev. 194.3 98.0			
Target Trust (Cayman) (Cayman) Ltd.			
P.O. Box 776, Grand Cayman, Cayman			
Off. Officers Cay. 1,014 1,472			
Prices at Sept. 5. Next mtg. due Sept. 12			
Tacit Pacific Holdings N.V.			
10, Abchurch Lane, London EC4N 3DF, U.K.			
NAV per share Sept. 1984	0.56		
Tacit Pacific Fds. (Seaboard) N.V.			
10, Abchurch Lane, London EC4N 3DF, U.K.			
NAV per share Sept. 1984	0.56		
Transglobal Financial Services			
Fernex-Vertriebs (A&I), France			
Paris, France			

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**ICI withdraws Grofas**  
**from sales range**

ICI Pharmaceuticals division is to withdraw Grofas, the antibacterial growth promoter for use in pig, poultry and calf feedstuffs, from its sales range.

The group said: "The precautionary step to withdraw

be absorbed by humans or farm animals.

"ICI emphasises strongly that all the available evidence shows there is no danger to the public who consume meat from animals given Grofas-Containing feeds,

[illegible][illegible][illegible][illegible]







# Lord Boyle hits back over right to fee-paying schools

LORD BOYLE, former Conservative Education Minister, hit out at the weekend over a Labour proposal to abolish private education. In a direct reply to Mr. Roy Hattersley, "shadow" Minister of Education, who said on Friday that private and fee-paying schools would be abolished under Labour, Lord Boyle said the parents of a school opted out of the State system as essential.

Lord Boyle, Vice-Chancellor of Leeds University, who was making the winding-up speech as president at the Cambridge conference of the Incorporated Association of Preparatory Schools, said he was against a State monopoly in education. Individual parents must have the right to opt out if they felt that what was being provided locally was not good enough for their children. Any proposal to end independent education was unjustified from the point of view of public spending priorities.

"What purpose is there in the State insisting on taking over the cost of educating those whose parents are perfectly ready, maybe at some sacrifice, to bear the cost?" he asked.

## Cunard to order tankers in Canada

BY OUR OWN CORRESPONDENT

MONTREAL, Sept. 9.

Davis Shipbuilding, of Quebec, Canada, has letters of intent from Cunard of the U.K. to build up to 30,000-ton tankers, and is now negotiating to build more tankers for the Athel line, a Tate & Lyle subsidiary.

Davis's yards at Quebec City will be busy through most of next year with an order for 100,000-ton tankers for Greek owners.

James McDonald, Shipping correspondent, writes: Cunard—part of the Trafalgar House group—confirmed that letters of intent had been signed with Davis Shipbuilding for the two tankers, which will be petroleum products carriers.

The company refused to give any further information but ship sale market sources suggested that the value of the order would be in the region of \$45-50m, and that one reason for the placing of the work in Canada could be early delivery since most of the world's main exporting shipyards are full until end-1975 and into 1976.

A spokesman for Athel Line yesterday would not comment on the report beyond saying: "At the moment we do not have any orders with shipbuilders in Canada and we do not wish to go beyond that statement."

## REGIONAL MARKETS

	Price	Am. Div.	Am. Div.	Am. Div.
	Sept. 7	Sept. 8	Sept. 9	Sept. 10
<b>SEATTLE</b>				
48 1/2 lb. 20	227 1/4	228	228 1/4	228 1/4
48 1/2 lb. 20	228	228 1/4	228 1/4	228 1/4
48 1/2 lb. 20	228 1/4	228 1/4	228 1/4	228 1/4
48 1/2 lb. 20	228 1/4	228 1/4	228 1/4	228 1/4
<b>NEW YORK</b>				
48 1/2 lb. 20	227 1/4	228	228 1/4	228 1/4
48 1/2 lb. 20	228	228 1/4	228 1/4	228 1/4
48 1/2 lb. 20	228 1/4	228 1/4	228 1/4	228 1/4
48 1/2 lb. 20	228 1/4	228 1/4	228 1/4	228 1/4
<b>MIDLANDS &amp; WESTERN</b>				
48 1/2 lb. 20	227 1/4	228	228 1/4	228 1/4
48 1/2 lb. 20	228	228 1/4	228 1/4	228 1/4
48 1/2 lb. 20	228 1/4	228 1/4	228 1/4	228 1/4
48 1/2 lb. 20	228 1/4	228 1/4	228 1/4	228 1/4

## Public schools

Public schools are no longer producing natural leaders for the professions or industry, according to an article to-day in The Director magazine written by Miss Joan Hills, appointments registrar at the Independent Schools Council.

The public schoolboy had "ceased to be regarded as part of any special cadre, and is on the market competing with the grammar schoolboy for jobs."

Employers did not always realise how small the pool of available public school leavers has become, she says.

In particular, companies in the City, many of which still appreciate polish and mixability beyond academic qualifications, frequently express surprise when their often excellent opportunities remain unfilled.

To-day's public school leaver "social goals have become paramount, taking the form of a growing interest in the environment in all its aspects."

## Part-time schooling 'could stay'

PART-TIME SCHOOLING for thousands of children could become a permanent feature of the State education system, head teachers warned yesterday.

The 16,000-member National Association of Head Teachers accused the Government and local authorities of having bungled plans to cope with the extra children staying at school as a result of raising the leaving age.

It demanded urgent action to deal with the "appalling" problem of teacher-shortage in some areas, particularly in specialist subjects like mathematics and languages.

In a statement issued after a week-end meeting of its executive in London, the association said that desperately needed young teachers could not afford to buy houses or pay high rents in many urban areas. It called on local authorities to help them obtain homes.

## APPOINTMENTS

# GKN group executive changes

Mr. Geoffrey Osgood has been appointed deputy chairman of CARLSON-FORD and has been succeeded as managing director by Mr. R. Shackleton. The company is a subsidiary of Guest Keen & Nettlefolds.

Mr. J. E. Eywater is to join the Board of the SIME DARSY GROUP in December as managing director of operations in South East Asia and will be based in Singapore. He will be succeeded by Mr. C. A. Mathews as director of technical services with the Plessey Company.

Mr. Charles Lawrie has become managing director of MOJO (CASH & CARR), a subsidiary of Morris & David Jones.

Mr. Douglas Mackay, general sales manager of Ushers Brewery, has been appointed to the Board.

Mr. James Burren, previously with Gillette Industries, has joined KEYES UK as marketing director.

Mr. W. P. Ring has been elected as chairman of the LONDON TANKERS BROKERS' PANEL, in succession to Mr. John Curry, who has retired from business. Mr. A. H. Langworth is now vice-chairman.

Mr. Gordon Hayward has been appointed a director of H. R. TURNER (WILKINSON), a member of the ICP Holdings Group.

Mr. R. R. Parkes has retired as chairman of the BRUSHDEAN PROPERTY GROUP and Mr. T. W. Hudson takes over as chairman and managing director. Mr. S. C. Mackay has joined the Board and is responsible for corporate acquisition and group administration. Mr. T. G. Wyner has joined the Board as representative for Edward Bates and Co.

The following subsidiary appointments have also been made: Mr. E. R. Telfer as managing director of Brushdean Properties and Mr. C. W. Foyd as managing director of Brushdean Homes and Country Style Homes.

Mr. J. Wood has become secretary of KLEEMAN INDUSTRIAL HOLDINGS in place of Mr. P. S. Marchant, who has resigned.

Mr. Philip Morgan has relinquished the managing directorship of IPC CONSUMER INDUSTRIES PRESS to devote more time to corporate planning. He continues as chairman. Mr. Bryan Hope will become managing director on December 1, and Mr. Peter Yapp will be deputy managing director. From that date Mr. Henry Masie has been appointed deputy managing director of IPC Specialist and Professional Press.

Mr. A. J. Coombe has been appointed sales director and Mr. R. S. Nam works director of STURTEVANT WELBECK. The company is a subsidiary of Sturtevant Engineering, a member of the Draks and Cubitt group.

Mr. K. St. Johnson, deputy chairman of Overseas Containers,

has been appointed a director of ROYAL, the LIVERPOOL AND LONDON AND GLOBE and the LONDON AND LANCASHIRE insurance companies.

Mr. Roger Young has been appointed a director of ROBERT FRASER AND PARTNERS, investment banking subsidiary of Fraser Ansbacher.

Mr. Charles J. Shearer, managing director of Alexander Findlay and Company, a subsidiary of Sears Holdings, has retired. He is succeeded by Mr. David Watson, the present assistant managing director. Mr. Donald J. Biggs, a director, has been appointed assistant managing director.

Mr. K. Griffiths has been appointed managing director of SYNTHETIC CHEMICALS, a subsidiary of Midland-Yorkshire Holdings. He was formerly general manager of the Midland chemicals division.

The directors of DATSUN FINANCE, which has started operating to provide a financial service for Datsun U.K. dealers, are: Mr. W. W. Renison, Mr. J. N. Little, Mr. J. Clark, Mr. O. Botnar (German), Mr. F. Shannon, Mr. D. Richards, and Mr. E. Michael.

Mr. R. G. Pounds has been appointed chairman of INTER-NATIONAL BULK LIQUIDS (STORAGE AND TRANSPORT) and subsidiaries. From October 1 Mr. E. W. Tomlinson joins the Board and Mr. T. Moxon will become a director of Arrow Bulk Carriers and Mr. J. F. V. Dawson, a director of Ashgrove Motor Engineers.

## Vickers inquiry on mini-sub completed

VICKERS OCEANIC, which has completed an inquiry into the Paces III midget submarine mishap, is expected to make a statement this week.

The inquiry into the accident, which led to two men being trapped in the sunken submarine for 75 hours, was conducted by Mr. Gregory Mott, managing director of the company, along with Mr. Ronald Mansforth and Mr. Philip Pearce, surveyors from the Department of Trade and Industry.

Paces III was engaged in cable laying on the Atlantic seabed when flooding caused it to sink. It is being repaired by Vickers at Barrow-in-Furness.

## INTERIM STATEMENT

# Mixconcrete (Holdings) Ltd.

The Directors of MIXCONCRETE (HOLDINGS) LTD. present the unaudited group results for the six months ended 31st May, 1973.

	6 Months to 31 May 1973	6 Months to 31 May 1972	Year to 30 Nov. 1972
Sales	2,000	2,000	2,000
	9,024	8,803	15,553
Profit before Tax	720	615	1,625
Tax	336	246	633
Profit after Tax	384	369	992

NOTE: Tax has been calculated at the anticipated increase rate for the full financial year.

In the first half of the year we again enjoyed a mild winter and market conditions continued to be buoyant.

We have every confidence that the results for the second half of the year will exceed those for the same period last year.

Our expansion programme is well advanced and should provide considerable benefits in 1974.

**Dividends**

The Directors have declared an Interim Dividend of 0.980p per share (1972-0.833p) which, together with the tax credit, is equivalent to 1.400p per share (1972-1.333p per share). This Dividend will be paid on 28th October, 1973 to Shareholders on the Register at the close of business on 28th September, 1973.

The net cost to the Company of this payment will be £71,319 (1972-£67,087 gross). This Dividend represents an increase of 5% over the Interim Dividend for last year, the maximum annual increase currently allowed under the Government's price and pay code.

The Shares will be quoted Ex. Div. on 17th September, 1973.

This announcement appears as a matter of record only.

## \$25,000,000 Valmet Oy

Guaranteed Dollar Notes due June 30, 1988

Payment of principal, premium, if any, and interest unconditionally guaranteed by the

## Republic of Finland

This financing was initiated by

The Sanwa Bank Limited

and arranged by

Merrill Lynch, Pierce, Fenner & Smith Securities Underwriter Limited

and privately placed, under an agreement signed on January 12, 1973, with the following Japanese banks

The Sanwa Bank Limited

The Long-Term Credit Bank of Japan, Limited

The Toyo Trust and Banking Co. Limited

The Fuji Bank Limited

The Industrial Bank of Japan, Limited

The Mitsubishi Bank Limited

This advertisement is issued in compliance with the requirements of The Stock Exchange.



## Town & City Properties Limited

Issue of warrants to subscribe for up to 1,600,000 Ordinary Shares

Permission has been granted by the Council of The Stock Exchange for the admission of these warrants to the Official List.

Particulars of the warrants are available in the statistical services of the Exchange Telegraph Company Limited and Moodie's Services Limited, copies of which may be obtained during normal business hours any weekday (Saturday excepted) up to and including the 27th September 1973.

N. M. Rothschild & Sons Limited, New Court, St. Swithin's Lane, London EC4.

Barclays Bank (London and International) Limited, 54 Lombard Street, London EC4.

Joseph Sebag & Co. Ltd. Bucklersbury House, London EC4.



# 139% increase in pre-tax profit: progress continuing in current year.

In the course of his statement, the Chairman, Mr. R. D. Guthrie, said:—

"The accounts now submitted to shareholders show a record pre-tax profit of £2,172,549; this is an increase of 139% over the corresponding profit for the preceding year. After taxation charges of £807,679 as against £355,732 last year, there is a profit after tax of £1,364,870.

Your Directors recommend a final dividend of 8.75% actual, equivalent to 12.5% gross, making a total dividend for the year of 17.5% gross. This is the increased rate of dividend forecast at the time of the Rights Issue made last year.

Group turnover has risen by nearly £5,000,000 and is again a record for the Group.

An increase of 26% in turnover is not insignificant, but it is clearly a considerably smaller percentage increase than the percentage increase in profit which has been achieved. A comparison of the figures for Group Activities and Operating Results, as shown below, with the corresponding figures for last year, shows how the patterns of both turnover and profits arising therefrom have changed.

In the year to 31st March 1972 the merchandising and processing of softwood, hardwood and sheet materials represented 36% of turnover and one-third of the profit before interest charges and tax; in the year under review these activities represented 41% of turnover and accounted for one-half of the profit before interest charges and tax.

The increase of over £700,000 in profit for this section of the group activities, reflects the buoyant demand for timber in a period when prices moved upwards beyond any previous experience and with a breathtaking rapidity.

The higher level of prices of raw materials is also reflected in the figures for educational, office and laboratory furniture, contract furniture, partitions and doors, where a satisfactory level of profit emerged.

The remaining activities show some increase in profit, and while these are of relatively minor significance, at this stage they represent growth potential.

At the present time order books are at record levels and monthly figures are in advance of established budgets. We have expanded projected expenditure on capital projects which now stands at approximately £1,750,000. This is in accordance with the Government's wish that increased profits should be utilised to improve and expand manufacturing capacity."

SALIENT FEATURES OF YEAR'S RESULTS		
	1973	1972
Turnover	23,716,000	18,780,000
Profit Pre-Tax	2,172,000	906,000
Profit after Tax	1,364,000	562,000
Ordinary Dividend (Gross)	285,000	288,000
Earnings per Ordinary Share	15.3p	7.2p

\*The figures for Ordinary dividend are not comparable due to changes in Corporation Tax legislation.

## GROUP ACTIVITIES

	Proportion of Total Turnover	Profit before int. charges and tax 2000's
Merchandising and processing of softwood, hardwood, plywood and sheet materials	41	1,149
Manufacture of softwood joinery, woodware, hardwood flooring and plastic components	14	111
Educational, office and laboratory furniture, contract furnishings, partitions and doors	37	930
Manufacture and distribution of school stationery, teaching aids and educational toys and equipment	8	184
	100	2,374

The sixty-second Annual General Meeting was held in London on 7th September, 1973. Copies of the Report & Accounts are available from The Company Secretary:—

**Hollis Bros. & E.S.A. Limited**  
Craven Hall, Hull, Yorkshire HU8 1MT.

**HOTELS—Continue**

[illegible]

## MYSON

Britain's leaders  
in Heating and  
Ventilating, and  
Air Conditioning  
equipment

Myson Group Ltd, Ongar Essex  
Tel. Ongar 2255

## Lombard

## Revaluing exchange rate changes

By ANTHONY HARRIS

UNTIL RECENTLY, exchange rates were supposed to be almost entirely concerned with foreign trade, but experience has recently been disillusioning. The sad outcome of Mr. Harold Wilson's pound-in-your-pocket taught some caution—but not enough to prevent Mr. Nixon from hoping that the U.S. with less than five per cent. of its national product in foreign trade, could devalue without regard for the domestic consequences. Its experience this year with food prices has shown the error of that hope (though a report last week that they were rising at an annual rate of 231 per cent., which made me rise in my chair at an annual rate of 6,000 miles, surely rubbed it in a little too hard).

At the same time, the achievements in terms of trade adjustment have been, to put it mildly, disappointing. The persistent surpluses of Germany and Japan, the obstinate deficits of the U.S. and the U.K. do not argue for the power of exchange rates to set things right. So far as the U.S. and Japan have achieved progress, it is largely through the influence of inflated Japanese imports of U.S. commodities at inflated world prices.

### Full circle

We have now, therefore, reached a stage where the effect of exchange rate changes on trade balances are seen as slow and uncertain while their effects on domestic prices are fast and clear; and to-day official thinking has come full circle. Australia and New Zealand have revalued purely for domestic reasons, without a word about "adjustment." Good on you, coppers.

It is interesting, though, to go beyond the simple recognition of Antipodean realism, and have a look at the conditions under which the new moves are likely to work best.

So far as exports are concerned, the conditions are the very reverse of the largely conventional assumptions. Ideally, the foreign prices of Australian and New Zealand exports should not rise at all, on the contrary, the domestic prices of these products and especially the foodstuffs—should fall to the full extent of the revaluation. This is clearly recognised by the New Zealand authorities, who have actually threatened to enforce a 10 per cent. fall in meat prices by legislation if necessary.

Since Australian and New Zealand exports are largely of primary and farm products, subject to world competition, this condition is likely to be met automatically.

The need for price controls, supported by the newly-fashionable limiting exports to assure adequate home supplies, is not to enforce the effects of the revaluation, but to insure against any further inflation of world trade prices. So far as these measures have to be used, they suggest that a further revaluation might help.

On the import side, again, the effect on foreign-currency prices is likely to be minimal. The two countries import manufactures which are the subject of world competition, but often of very little domestic competition. Again, the revaluation is being reinforced in New Zealand by appropriate changes in trade regulations, with a liberalisation of imports.

Putting all this together produces some interesting conclusions: for here is an exchange rate change which ideally could have no effect at all on trade prices.

### Three answers

If there is no change in the terms of trade, how can there be any "real" effect on the two economies? There are three answers to this. The first is that despite the unchanged terms of trade, the move is in fact likely to affect the trade balance by way of increased imports of manufactures, at what should be lower domestic prices. Some of the surplus is being released to raise real incomes and relieve pressures.

The second answer is that the reduced prices of food in local currencies while they will not affect foreign currency earnings, will redistribute incomes towards consumers—another factor relieving pressures which make for cost inflation.

The final answer is that a major intention of the change is to produce a purely monetary effect—to operate, that is, on price expectations. There is much here that the outside world which goes on thinking out-dated thoughts about the "adjustment process" might study with profit.

## THE LEX COLUMN

# Re-rating the construction majors

The most striking feature of the re-rating in the construction sector over the past couple of years has been the strength of the industry leaders. A marginal gain in the All-Share since mid-1971 contrasts with a jump of over a third in the Contracting and Construction index, but whereas a random group of a dozen medium-sized contractors show gains averaging under a sixth, Taylor Woodrow, Costain, and John Laing have all out-performed the sector average—the last two by a substantial margin. Taylor Woodrow, moreover, currently stands just 5 per cent. below its 1973 high at 288p, against a 204p low.

Strength like this might look odd in the context of an industry cycle which is visibly passing the peak. New construction orders rose 9 per cent. in the first quarter of 1973 at the constant prices and 1 per cent. in the second, and brokers E. B. Savory Millin are probably shooting as high as anyone with their latest forecasts of a 7 per cent. rise in output this year falling back to 3 per cent. in 1974, again at constant prices. The

obvious threat for 1975 lies in public sector spending which, excluding housing, accounted for nearly two-fifths of 1972's new orders.

But there is another theme in the brokers' work—a massive tome stretching well over 400 pages and covering 11 countries. That is the marked improvement in the industry's management and financial resources over recent years, something which shows up most clearly in balance-sheet movements.

### Cash flow

The starting point is cash flow, which for the nine majors (profits over £5m.) outside the private housing specialists rose an average 1½ times at the net level between 1969-70 and 1971-72. In some cases, the effect on gearing has been dramatic, for contractors are not normally hungry for working capital. The brokers reckon latest forecasts of a 7 per cent. rise in output this year falling back to 3 per cent. in 1974, again at constant prices. The

and it was, incidentally, a marked rise in the w.i.p./sales ratio in the 1971 accounts that gave the first hint of Mitchell Construction's problems.

Of course, although the building sector may have been a special case for concern in those liquidity-conscious days of 1971, there has been nothing unusual in much-improved balance sheets over the past year or so. The important change lies not so much in the source as in the use of funds, and Taylor Woodrow is a good illustration. Between 1970 and 1972, with no revaluations and negligible share issues, its capital employed rose 50 per cent. to £67m. The book cost of fixed assets increased from £14.7m. to £17.9m., and its net working capital dropped £1m. or so to a credit item. Investment properties, at cost or 1968 valuations, rose from 41 to 52 per cent. of capital employed, and to help achieve that, the group has been prepared to increase its debt, now representing 43 against 34 per cent. of capital employed. In short, there has been a marked change of direction in TW, and

other majors, towards non-cyclical assets and earnings sources.

As for the trading background, the fact is that although the growth in construction output may be about to start slowing down, 1974's projected increase is still high by the standards of the past five years. A comparison of the U.K. major developed countries shows that not only did it produce the slowest rate of increase between 1968 and 1972 but also that almost alone, it lagged significantly behind the national rise in GNP. For the moment, however, some companies are turning business away, and this scope for greater selectivity may be one reason for declining output in low-margin, fixed-priced housing in the public sector.

### Accounting

This means different things to different companies. An analysis of accounting practices in the sector suggests that the reported profits of a Laing or a

Wimpey—derived in large measure from work done in previous years, and where no profits are taken until contracts, however large, are completed—bear almost no relation to those of a Bovis or a Costain where profits are taken on work in progress throughout the contract.

Size and accounting conservatism do not necessarily go hand in hand, but the risk element is plainly lower among the leaders. Moreover, they tend to have the largest overseas contracts. Costain is the prime example, with over half its profits arising overseas, and this is an obvious prop for the 10-15 per cent. annual profits growth projected over the next five years in a recent study by the brokers Mitton, Butler, Priest. Rather more than that is expected from groups like Taylor Woodrow and Laing after stripping out the estimated property content at a discount of, say, 30 per cent., all dip in profits.

### Housebuilders

The private housing specialists, however, are moving in different directions. Despite vastly improved cash flows, gear ratios among the half-dozen majors have been rising sharply, reflecting higher output levels and the way that the price of building land doubled between 1970 and 1972. Total debt usually including a high proportion of bank borrowings, often represents well over 100 per cent. of shareholders' funds. At the same time, the number of houses under construction has been rising steadily, with the April-June total standing over a quarter above 1972's level of completions. So much for the couple of years can also be expected from groups like Taylor Woodrow and Laing after stripping out the estimated property content at a discount of, say, 30 per cent., all dip in profits.

## More Downing St. talks on Phase Three planned

By JOHN BOURNE, LOBBY EDITOR

MR. EDWARD HEATH, the Prime Minister, with Mr. Anthony Barber, Chancellor of the Exchequer, and other Ministers are likely to have further discussions at 10 Downing Street this week about Government proposals for Phase Three of the prices and incomes policy.

They already have the Pay Board's long-awaited recommendations about which pay anomalies created by last winter's pay freeze should be given priority of treatment during Phase Three. Its report will probably be published on Thursday.

The general view of economic Ministers, who are now getting down to the broad outlines of the size of wage increases the economy could bear next year, is that Phase Three proposals will be difficult to sell to the unions and to industry.

The expectation in Whitehall is that the code for prices and profit margins will have to be toughened, and that there is

little, if any, scope for a general pattern of wage rises above that provided by the present ceiling of 1½ plus 4 per cent.

Some Ministers believe that partly because of this, and because of the rapid increase in world, and therefore, domestic food prices this year, there would be less political mileage this autumn for the Government if the TUC repeats its rejection of Government proposals.

Last autumn, the Government would have been able to maintain, had inflation really got out of hand and Mr. Heath called a General Election, that the public would blame the unions. This time, public experience of rising food prices would make it less willing to accept such an argument.

Meanwhile, Mr. Harold Wilson, the Labour leader, has joined forces with those in the City and in Parliament who have been urging the Government to tighten-up on the money supply, to cut public expenditure and to

raise taxes, although his detailed proposals on the second two are understandably different.

In a radio interview yesterday he repeated the gist of his week-end speech at Redruth, although he shed some of the trimmings such as his call for the resignation of the Chancellor.

Mr. Wilson's argument was that defence spending should be reduced to the same proportion of the national product as in other Western countries, particularly our EEC partners. He wanted the Mafin plan dropped, the £300m. tax concessions made last April "to the rich" abolished.

Finally, Mr. Wilson thought that the Government should start to negotiate new terms for the Common Agricultural Policy under which Britain would pay no more than any other country to support European farmers, and, lastly, that the Government should see that mortgage rates are lowered.

CBI to decide its line, Page 6

## Union split at Chrysler widens

By Peter Cartwright

THE BREACH widened yesterday between the Electrical and Plumbing Trades Union—nearly 30 of whose members are on strike at Chrysler U.K. car plants in Coventry and Scotland—and other unions which are refusing to support it.

Mr. Jack Ashfield, an EPTU national executive councillor, bitterly attacked the leaders of the two main unions—Mr. Hugh Scanlon of the engineering workers and Mr. Jack Jones of the transport workers—for allowing their members to work with "scab" labour.

He told a meeting of union members from Chrysler U.K. plants at Coventry yesterday that despite the fact the AUEW and the TGWU were making against the Government's wages legislation, they were refusing to back the electricians in their fight to win an extra £30 a year.

Mr. Ashfield made it clear however that the two issues of the wages claim and working with "scab" labour—allowing non-union management personnel to maintain equipment normally repaired by electricians—had been separated.

### 'Scab' labour

"We are not looking for support for the strike as such from other unions," Mr. Ashfield said, "but we do expect them not to work despite the labour shortage. We expect the leaders of the engineering and transport unions to behave like trade unionists."

This jibe is hardly calculated to win renewed support from workers at Coventry factories making engines and Avenger. They went back nearly a fortnight ago and are continuing to work while supervisors from other Chrysler U.K. factories keep the machines running.

The other last it may stiffen the resolve of the 4,500 militantly-led workers at Linwood who brought the plant to a standstill by walking out on Friday over the use of "scab" labour. The plant provides the Avenger assembly with body pressings and when stocks are used up Chrysler U.K. will again face a complete shutdown.

Most of the workers at Linwood are AUEW members, and the walk-out was in defiance of an executive instruction that they should keep working.

EPTU members at all Chrysler U.K. plants, including Dunstable and Luton commercial vehicle factories, are to hold meetings this week. This suggests the strike leaders are confident that workers in other unions at Linwood will maintain their support and ignore the official union line.

### Lost production

The strike was started five weeks ago by 156 electricians at the Coventry factories. They were joined by 124 at Linwood last Wednesday. The management maintains it cannot more than £190—or £60 short of the claim—under the Phase Two legislation.

Chrysler U.K. has so far lost production of 17,000 cars, worth more than £17m., and there have been several warnings of the company's increasingly serious position.

## EEC Ministers plan joint response to U.S.

By LORELIES OLSAGER

BRUSSELS, Sept. 9.

FOREIGN MINISTERS from the nine Common Market countries gathered in Copenhagen tomorrow for one of their most important political meetings. It could lead to a historic breakthrough both in European political co-operation and in the Nine's relations with the U.S.

The Ministers are expected to decide the rough outline of the response that the Community countries should give to American calls for a new Atlantic relationship.

This is expected to be in the form of a draft declaration covering some aspects of the relationship which would be discussed with the Americans and could be signed during President Nixon's visit to Europe, if Mr. Nixon decides to come.

If all goes well the U.S. would for the first time be able to start dealing with the European Community as an entity at a high political level. It would also be the first time that the EEC countries have decided visibly to act as a political and not just an economic group.

Prospects for success are considered brighter now that France, which had been dragging its heels for a long time, suddenly seems more willing to go along with its eight partners in meeting the U.S. half-way.

The most visible sign of the changed French attitude is the fact that M. Michel Jobert, the Foreign Minister, has decided to attend the Copenhagen meeting instead of accompanying President Pompidou on his Chinese visit which starts tomorrow.

M. Jobert now plans to join the President in Peking later. It is not certain why France suddenly changed her stance. One interpretation is that she is genuinely concerned about a German rapprochement with the East, and is rediscovering the importance of good relations with the U.S.

While France is less adamant in principle, it is still believed to be sticking to its position on details.

This is one reason why only the groundwork for a European response is expected to be laid in Copenhagen, while the exact form will be decided later.

Rumours are expected to decide that they should sign a declaration with the U.S., covering relations apart from defence. The latter is to be dealt with separately within the framework of NATO.

### U.S. approach

The declaration is to be based on a definition of the European identity, to which France attaches great importance, and would imply American recognition of Europe as an equal partner with world-wide rather than regional responsibility.

Haggling over words is expected to arise mostly from the French dislike of anything that implies inter-dependence

between Europe and the U.S. or that European relations with the U.S. are of a different order than those with the rest of the world.

On trade and international monetary reform, the rough draft of a text which the Ministers will have before them is said not to go beyond generalities.

Apart from the question of the European identity and the content of the declaration, the Ministers are also expected to wrestle with the question of how to organise discussions with the U.S.

The Americans have been hoping for one declaration, instead of two, separating defence from other issues.

The question is how the Nine should approach Washington with their proposals. One opportunity will arise when Mr. K. B. Andersen, the Danish Foreign Minister, who is also chairman of the political consultations, visits Washington later this month.

Then there is the question of how to organise talks with the U.S. in order to arrive at an agreed text. France is objecting to anything that could look like the beginning of an "institutionalised" dialogue.

● Dominick J. Coyle writes from Dublin: Dr. Garrett FitzGerald, the Irish Foreign Minister, is to have informal discussions in Copenhagen with Sir Alec Douglas-Home prior to next week's historic Anglo-Irish Summit between Mr. Heath and Mr. Cosgrave, the Irish Prime Minister.

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London-York  
TRUST  
FINANCE FOR THE  
BY  
PUBLIC ISSUES  
AND  
PRIVATE PLACEMENTS

## Weather

U.K. TODAY  
Mainly dry, with  
clouds much lower than  
past few days.  
London, S.E. Eng., E. Midlands  
Cloudy, bright periods.  
N.W., moderate. Max. 11.  
Cent. S. and S.W.  
Channeled in  
light or moderate.  
(84F).  
W. Midlands, Wales, N. Lakes, Is. of Man, Glasgow, N. Eng.  
Dry, variable cloud periods. Wind E. moderate. Max. 10C.  
Aberdeen, Moray, Caithness, Shetland  
Cloudy, bright periods. Light or moderate. (57F).  
Cent. Highlands, N.W. Scot.  
Dry, variable cloud intervals. Wind N. 15C (59F).  
Orkney, Shetland  
Rain later. Wind N. moderate. Max. 10C.  
Outlook: Dry, sunny. Lightning over Manchester 20.08, Glasgow 20.25, Belfast 20.25.

## BUSINESS CENTRE

Year	Mid-80s	Mid-90s	Mid-00s
America	15	16	17
France	15	16	17
Germany	15	16	17
Italy	15	16	17
Japan	15	16	17
U.K.	15	16	17
U.S.	15	16	17
Canada	15	16	17
Australia	15	16	17
New Zealand	15	16	17
South Africa	15	16	17
India	15	16	17
China	15	16	17
U.S.S.R.	15	16	17
Other	15	16	17

## HOLIDAY RESORTS

Resort	1979	1980	1981
Algarve	15	16	17
Barcelona	15	16	17
Batumi	15	16	17
Blackpool	15	16	17
Bordeaux	15	16	17
Buenos Aires	15	16	17
Canary Islands	15	16	17
Cape Town	15	16	17
Chania	15	16	17
Corsica	15	16	17
Dublin	15	16	17
Edinburgh	15	16	17
Geneva	15	16	17
Hong Kong	15	16	17
London	15	16	17
Lyons	15	16	17
Madrid	15	16	17
Manila	15	16	17
Moscow	15	16	17
Monte Carlo	15	16	17
Paris	15	16	17
Perth	15	16	17
Rome	15	16	17
San Francisco	15	16	17
Shanghai	15	16	17
Singapore	15	16	17
Tokyo	15	16	17
Yokohama	15	16	17

## Provost may to resign

MR. TOM MOORE, P.D. Dundee, has been urged to resign from public office executive committee. The committee met to discuss a report by Mr. Allison, the party's following newspaper, that Mr. Moore alleged thousands of pounds' property deals in Dundee. Mr. Moore, 47, has been appointed Lord Provost of Dundee for 18 months.

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